



Interim Financial Report 2017

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Patrizio Bertelli



Miuccia Prada

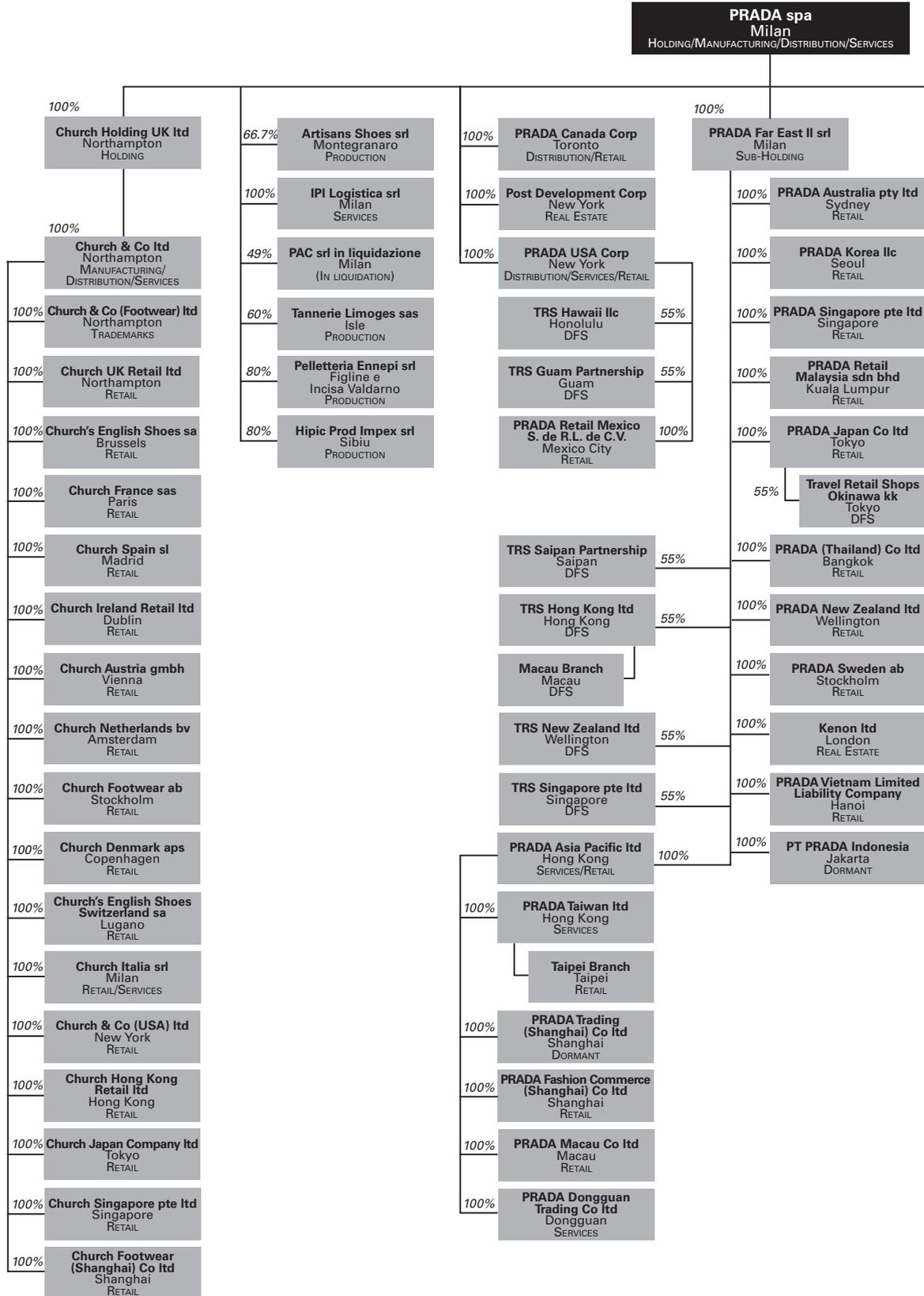
The PRADA Group

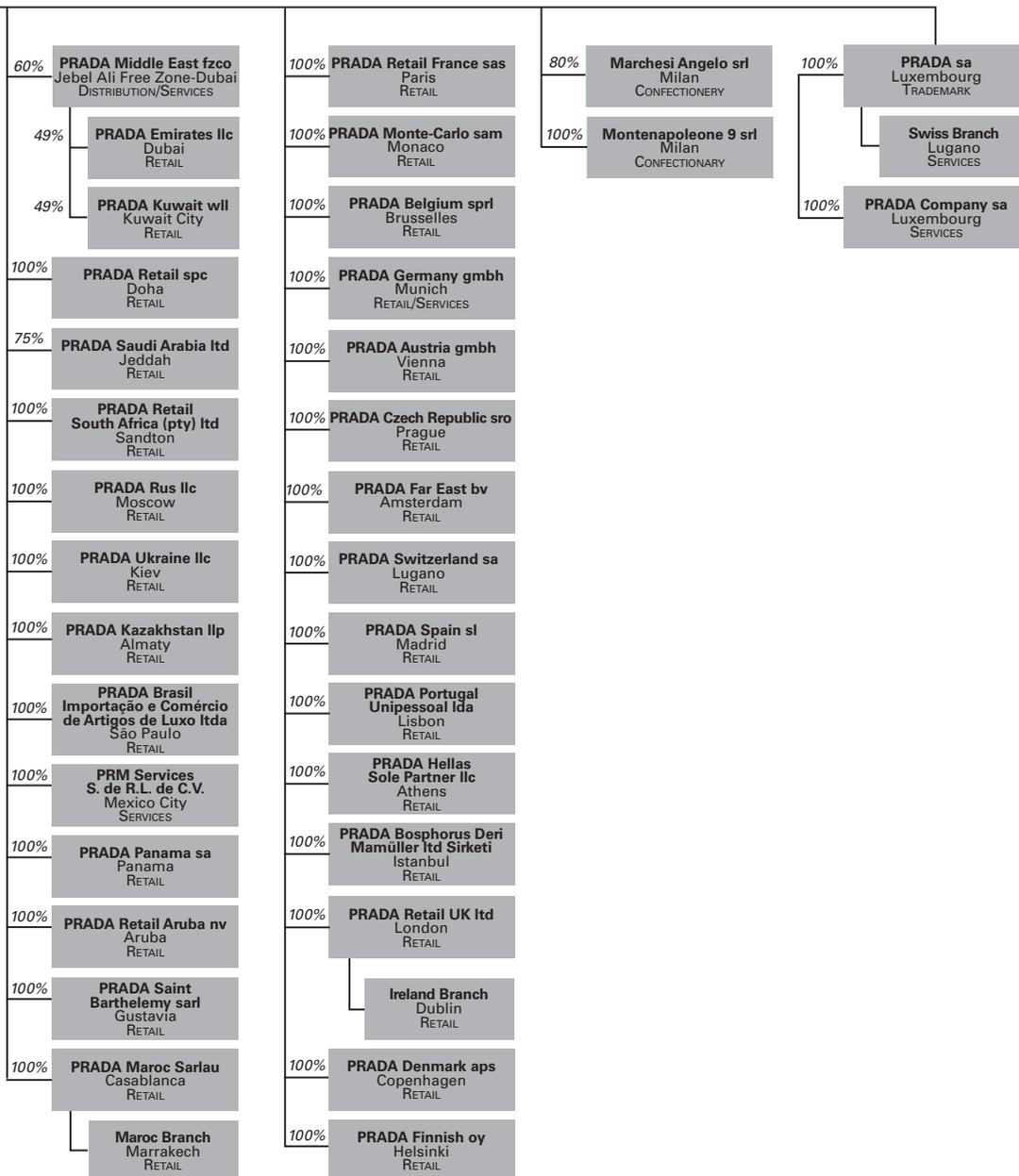
PRADA S.p.A. Corporate Information

| | |
|--|--|
| Registered Office | Via A. Fogazzaro, 28 20135 Milan, Italy |
| Head Office | Via A. Fogazzaro, 28 20135 Milan, Italy |
| Place of business in Hong Kong registered under Part 16 of the Hong Kong Companies Ordinance | 36/F, Gloucester Tower The Landmark, 11 Pedder Street Central, Hong Kong |
| Company web site | www.pradagroup.com |
| Hong Kong Stock Exchange Identification Number | 1913 |
| Board of Directors | Carlo Mazzi (Chairman & Executive Director) Miuccia Prada Bianchi (Chief Executive Officer & Executive Director) Patrizio Bertelli (Chief Executive Officer & Executive Director) Alessandra Cozzani (Chief Financial Officer & Executive Director) Stefano Simontacchi (Non-Executive Director) Maurizio Cereda (Non-Executive Director) Gian Franco Oliviero Mattei (Independent Non-Executive Director) Giancarlo Forestieri (Independent Non-Executive Director) Sing Cheong Liu (Independent Non-Executive Director) |
| Audit Committee | Gian Franco Oliviero Mattei (Chairman) Giancarlo Forestieri Sing Cheong Liu |
| Remuneration Committee | Gian Franco Oliviero Mattei (Chairman) Carlo Mazzi Giancarlo Forestieri |
| Nomination Committee | Gian Franco Oliviero Mattei (Chairman) Carlo Mazzi Sing Cheong Liu |
| Board of Statutory Auditors | Antonino Parisi (Chairman) Roberto Spada (Standing member) David Terracina (Standing member) |
| Supervisory Board (Leg. Decr. 231/2001) | David Terracina (Chairman) Gian Franco Oliviero Mattei Paolo De Paoli |

| | |
|---|---|
| Main Shareholder | PRADA Holding S.p.A. Via A. Fogazzaro, 28 20135 Milan, Italy |
| Joint Company Secretaries | Patrizia Albano Via A. Fogazzaro, 28 20135 Milan, Italy |
| | Ying-Kwai Yuen (Fellow member, HKICS) 36/F, Gloucester Tower The Landmark, 11 Pedder Street Central, Hong Kong |
| Authorized Representatives in Hong Kong | Carlo Mazzi Via A. Fogazzaro, 28 20135 Milan, Italy |
| | Ying-Kwai Yuen (Fellow member, HKICS) 36/F, Gloucester Tower The Landmark, 11 Pedder Street Central, Hong Kong |
| Alternate Authorized Representative to Carlo Mazzi in Hong Kong | Sing Cheong Liu House 7 Severn Hill 4 Severn Road The Peak Hong Kong |
| Hong Kong Share Registrar | Computershare Hong Kong Investor Services Limited Shops 1712-1716 17 th Floor, Hopewell Centre 183 Queen's Road East Wanchai, Hong Kong |
| Auditor | Deloitte & Touche S.p.A. Via Tortona, 25 20144 Milan, Italy |

PRADA Group Structure





Financial Review

Consolidated Statement of Profit or Loss

| (amounts in thousands of Euro) | six months ended July 31 2017 (unaudited) | % | six months ended July 31 2016 (unaudited) | % |
|---|--|---------------|--|---------------|
| Retail | 1,442,556 | 98.2% | 1,529,267 | 98.4% |
| Royalties | 26,080 | 1.8% | 24,905 | 1.6% |
| Net Revenues | 1,468,636 | 100.0% | 1,554,172 | 100.0% |
| Cost of goods sold | (379,995) | -25.9% | (432,231) | -27.8% |
| Gross Margin | 1,088,641 | 74.1% | 1,121,941 | 72.2% |
| Operating expenses | (921,804) | -62.7% | (908,240) | -58.4% |
| EBIT | 166,837 | 11.4% | 213,701 | 13.8% |
| Interest and other financial expenses, net | (890) | -0.1% | (6,756) | -0.4% |
| Dividends from investments | 357 | 0.0% | 558 | 0.0% |
| Income before taxation | 166,304 | 11.3% | 207,503 | 13.4% |
| Taxation | (50,222) | -3.4% | (62,206) | -4.1% |
| Net income for the period | 116,082 | 7.9% | 145,297 | 9.3% |
| Net income - non-controlling interests | 340 | 0.0% | 3,374 | 0.2% |
| Net income - Group | 115,742 | 7.9% | 141,923 | 9.1% |
| Depreciation, amortization and impairment | 112,716 | 7.7% | 116,290 | 7.5% |
| EBITDA | 279,553 | 19.1% | 329,991 | 21.2% |
| Basic and diluted earnings per share (in Euro per share) | 0.045 | | 0.055 | |

Key financial information

| Key figures from statement of profit or loss (amounts in thousands of Euro) | six months ended July 31 2017 (unaudited) | twelve months ended January 31 2017 (audited) | six months ended July 31 2016 (unaudited) | change % six months 2017 vs six months 2016 |
|--|--|--|--|--|
| Net revenues | 1,468,636 | 3,184,069 | 1,554,172 | -5.5% |
| EBITDA | 279,553 | 653,448 | 329,991 | -15.3% |
| EBITDA% | 19.1% | 20.5% | 21.2% | - |
| EBIT | 166,837 | 431,181 | 213,701 | -21.9% |
| EBIT% | 11.4% | 13.5% | 13.8% | - |
| Net income of the Group | 115,742 | 278,329 | 141,923 | -18.4% |
| Earnings per share (Euro) | 0.045 | 0.109 | 0.055 | -18.4% |
| Capital expenditure | 105,615 | 251,507 | 108,085 | - |
| Net operating cash flows | 208,156 | 631,850 | 266,728 | - |
| Average number of employees | 12,094 | 12,326 | 12,228 | - |

| Key figures from statement of financial pos. (amounts in thousands of Euro) | July 31 2017 (unaudited) | January 31 2017 (audited) | July 31 2016 (unaudited) | change July 2017 vs January 2017 |
|--|--------------------------------|---------------------------------|--------------------------------|--|
| Net operating working capital | 552,685 | 556,351 | 674,446 | (3,666) |
| Net invested capital | 3,022,362 | 3,086,089 | 3,166,777 | (63,727) |
| Net financial position surplus/(deficit) | (223,427) | 18,441 | (251,727) | (241,868) |
| Group shareholders' equity | 2,776,345 | 3,080,502 | 2,894,984 | (304,157) |

Financial highlights

The net revenues for the six months ended July 31, 2017 were Euro 1,468.6 million, down by 5.5% compared to the same period of last year. The sales performance for the period had conflicting trends, with some markets recovering and others contracting. In terms of profitability, the decline in sales volumes was compensated for by a better mix, especially regarding the ratio of full-price sales to discounted sales. The gross margin benefited from this and improved from the same period of the previous year.

With respect to business initiatives, an important e-commerce plan was introduced for all the Group's brands that include an omnichannel growth strategy focusing on gradual expansion of the online sales channel in terms of merchandising and territorial coverage, plus new versions of the websites. Digital initiatives also involved advertising and communications, with the creation of special content and the acquisition of online space and media tools intended to create synergy among the three distribution channels.

Investments were continued in the manufacturing area to boost internal production volumes, thereby ensuring that a greater number of production processes achieve the high standards that have always characterized the output of the Group's production facilities. The investments of the period also targeted the retail network. The plan to bring Miu Miu stores into line with the brand's new look progressed, and special projects for Prada stores were carried out, such as new store layouts and extension of the "resort" concept to seaside stores.

The recent overhauling of processes and cost structure enabled to keep operating expenses consistent with those of the prior reporting period.

EBIT for the six months ended July 31, 2017 was Euro 166.8 million, or 11.4% of net revenues, down from the Euro 213.7 million, or 13.8% of net revenues, of the same period of the previous year. The Group's net income was Euro 115.7 million, or 7.9% as a percentage of net revenues, whereas it was 9.1% for the same six-month period of 2016.

The net operating working capital at July 31, 2017 is Euro 552.7 million, practically unchanged from January 31, 2017. The net financial indebtedness amounts to Euro 223.4 million, after the dividend payment of Euro 307.1 million and a reduction of Euro 40.6 million resulting from the exchange rates fluctuation.

Net Revenues

| (amounts in thousands of Euro) | six months ended July 31 2017 (unaudited) | % | six months ended July 31 2016 (unaudited) | % | % change |
|--------------------------------|--|---------------|--|---------------|--------------|
| Net sales | 1,442,556 | 98.2% | 1,529,267 | 98.4% | -5.7% |
| Royalties | 26,080 | 1.8% | 24,905 | 1.6% | 4.7% |
| Net Revenues | 1,468,636 | 100.0% | 1,554,172 | 100.0% | -5.5% |

Net sales analysis

| (amounts in thousands of Euro) | six months ended July 31 2017 (unaudited) | % | six months ended July 31 2016 (unaudited) | % | % change |
|--|--|---------------|--|---------------|--------------|
| Net sales by geographical area | | | | | |
| Europe | 553,631 | 38.4% | 599,568 | 39.2% | -7.7% |
| Americas | 210,370 | 14.6% | 218,492 | 14.3% | -3.7% |
| Asia Pacific | 462,951 | 32.1% | 461,215 | 30.2% | 0.4% |
| Japan | 164,438 | 11.4% | 191,726 | 12.5% | -14.2% |
| Middle East | 49,208 | 3.4% | 55,702 | 3.6% | -11.7% |
| Other countries | 1,958 | 0.1% | 2,564 | 0.2% | -23.6% |
| Total Net sales | 1,442,556 | 100.0% | 1,529,267 | 100.0% | -5.7% |
| Net sales by brand | | | | | |
| Prada | 1,176,843 | 81.6% | 1,233,596 | 80.7% | -4.6% |
| Miu Miu | 224,371 | 15.6% | 249,152 | 16.3% | -9.9% |
| Church's | 33,769 | 2.3% | 39,747 | 2.6% | -15.0% |
| Other | 7,573 | 0.5% | 6,772 | 0.4% | 11.8% |
| Total Net sales | 1,442,556 | 100.0% | 1,529,267 | 100.0% | -5.7% |
| Net sales by product line | | | | | |
| Leather goods | 826,906 | 57.3% | 893,468 | 58.4% | -7.4% |
| Footwear | 310,340 | 21.5% | 343,641 | 22.5% | -9.7% |
| Clothing | 273,766 | 19.0% | 262,395 | 17.2% | 4.3% |
| Other | 31,544 | 2.2% | 29,763 | 1.9% | 6.0% |
| Total Net sales | 1,442,556 | 100.0% | 1,529,267 | 100.0% | -5.7% |
| Net sales by channel | | | | | |
| Net Sales of Directly Operated Stores (DOS) | 1,177,059 | 81.6% | 1,276,587 | 84.0% | -7.8% |
| Net Sales to independent customers and franchisees | 265,497 | 18.4% | 252,680 | 16.0% | 5.1% |
| Total Net sales | 1,442,556 | 100.0% | 1,529,267 | 100.0% | -5.7% |

Distribution Channels

Retail sales for the six months ended July 31, 2017 were Euro 1,177.1 million, down by 7.8% from the same period of 2016 (-8% at constant exchange rates). Thirteen stores were closed down in the six-month period (4 Prada, 8 Miu Miu and 1 Church's) and six new stores were opened (2 Prada, 2 Miu Miu and 2 Church's).

Sales in the wholesale channel grew by 5.1% compared to the same period of the prior year (+4.5% at constant exchange rates), mainly as a result of higher sales to franchisees and primary selected online retailers ("e-tailers").

Markets

The Asia Pacific market reported growth of 0.4% (-0.6% at constant exchange rates). The Greater China region generated net sales of Euro 301.9 million, up by 4.5% at current exchange rates and by 5.2% at constant exchange rates, whereas other countries in the region experienced declines. Overall in the region, sales increased for clothing and leather goods, whereas footwear sales decreased.

Net sales in Europe fell by 7.7% at current exchange rates compared with the same six-month period of the prior year (-6.6% at constant exchange rates). The stronger Euro at the end of the period adversely affected tourist spending. Clothing sales increased, whereas footwear and leather goods sales declined.

Net sales in the American market fell by 3.7% at current exchange rates (-5.8% at constant exchange rates). The product trends in this market were similar to those reported for the European market.

Sales in Japan fell by 14.2% compared with the same period of last year (same decrease at constant exchange rates). The sales in this region were influenced by a decline primarily in local demand, but also in tourist spending.

Net sales in the Middle East region, which suffered from a geopolitical context unfavorable to tourism flows, fell by 11.7% at current exchange rates (-13.1% at constant exchange rates).

Products

Sales of the clothing division rose by 4.3% overall (+4.1% at constant exchange rates), whereas the Miu Miu brand had double-digit sales growth compared with the same six months of the prior year.

Sales of the leather goods division fell by 7.4% overall at current exchange rates (-7.9% at constant exchange rates), with less decline for the Prada brand.

Footwear sales fell by 9.7% at current exchange rates (-9.5% at constant exchange rates), with a trend similar to that of leather goods.

Brands

The net sales of the Prada brand fell by 4.6% at current exchange rates (-5% at constant exchange rates). The Asia Pacific region reported sales in line with those of the same period of last year, whereas the other regions had lower sales.

Miu Miu net sales fell by 9.9% at current exchange rates (-10.2% at constant exchange rates). The decrease was affected by the closing down of 8 shops during the period.

Net sales of the Church's brand fell by 15% mainly as a result of the recent restructuring of the distribution channel. The contraction was concentrated in the European market.

The "other" brand category consists of sales of Marchesi 1824 brand patisserie goods, whose growth is benefiting from the recent expansion plan, and of the Car Shoe brand, which presented a decline for the six-month period.

Royalties

In the six months ended July 31, 2017, licensing agreements generated royalty income of Euro 26.1 million, up by 4.7% from the same six-month period of 2016. The increase was attributable largely to the success of the new Prada fragrances.

Number of stores

| | as at July 31 2017 | | as at January 31 2017 | | as at July 31 2016 | |
|--------------|--------------------------|------------|-----------------------------|------------|--------------------------|------------|
| | DOS | Franchises | DOS | Franchises | DOS | Franchises |
| Prada | 385 | 25 | 387 | 25 | 388 | 23 |
| Miu Miu | 165 | 9 | 171 | 9 | 173 | 8 |
| Church's | 55 | - | 54 | - | 54 | - |
| Car Shoe | 5 | - | 5 | - | 5 | - |
| Marchesi | 3 | - | 3 | - | 2 | - |
| Total | 613 | 34 | 620 | 34 | 622 | 31 |

| | as at July 31 2017 | | as at January 31 2017 | | as at July 31 2016 | |
|------------------------|--------------------------|------------|-----------------------------|------------|--------------------------|------------|
| | DOS | Franchises | DOS | Franchises | DOS | Franchises |
| Europe | 219 | 4 | 220 | 4 | 224 | 4 |
| Americas | 112 | - | 113 | - | 115 | - |
| Asia Pacific | 181 | 25 | 187 | 25 | 184 | 22 |
| Japan | 79 | - | 78 | - | 77 | - |
| Middle East and Africa | 22 | 5 | 22 | 5 | 22 | 5 |
| Total | 613 | 34 | 620 | 34 | 622 | 31 |

Operating results

The gross margin for the six months ended July 31, 2017 was Euro 1,088.6 million, or 74.1% of net sales, up by 190 basis points from the same period of the previous year. The profit margin improved as a result of a better sales mix, in terms of the ratio of full-price sales to discounted sales and the effect of exchange rates.

The increase in operating expenses, net of exchange differences of Euro 3.7 million, was attributable primarily to an increase in advertising and communication activities, particularly with digital technology, and a higher cost of labor regarding short-term incentives. All other expense items were in line with those of 2016, a year in which the Group carried out an important cost reduction program.

EBITDA for the six months ended July 31, 2017 was Euro 279.6 million, corresponding to 19.1% of net revenues, a dilution of 210 basis points compared with the same period of last year.

EBIT for the six months ended July 31, 2017 was Euro 166.8 million, or 11.4% of net revenues, compared with Euro 213.7 million, or 13.8% of net revenues, for the same period of last year.

Finance costs benefited from a stronger Euro near the end of the period, which resulted in the recognition of positive exchange differences on financial items. The cost of bank debt, effectively eliminated by such benefit, was nevertheless lower than that of the comparative period due to less average bank debt and lower interest rates.

The effective tax rate of 30% is in line with the same period of last year. The benefit

deriving from a lower Italian income tax rate was offset by the less advantageous geographical sources of income.

The Group's net income for the six months amounted to Euro 115.7 million, or 7.9% of net revenues.

Analysis of the statement of financial position

Net invested capital

The following table reclassifies the statement of financial position to provide a better view of net invested capital.

| (amounts in thousands of Euro) | July 31 2017 (unaudited) | January 31 2017 (audited) | July 31 2016 (unaudited) |
|--|--------------------------------|---------------------------------|--------------------------------|
| Non-current assets (excluding deferred tax assets) | 2,529,920 | 2,599,620 | 2,561,138 |
| Trade receivables, net | 266,795 | 285,504 | 314,340 |
| Inventories, net | 562,620 | 526,941 | 625,482 |
| Trade payables | (276,730) | (256,094) | (265,376) |
| Net operating working capital | 552,685 | 556,351 | 674,446 |
| Other current assets (excluding items of financial position) | 244,992 | 275,384 | 240,832 |
| Other current liabilities (excluding items of financial position) | (194,043) | (224,536) | (223,457) |
| Other current assets/(liabilities), net | 50,948 | 50,848 | 17,375 |
| Provision for risks | (77,546) | (82,323) | (70,037) |
| Post-employment benefits | (60,215) | (67,211) | (64,287) |
| Other long-term liabilities | (176,799) | (187,322) | (190,609) |
| Deferred taxation, net | 203,369 | 216,126 | 238,751 |
| Other non-current assets/(liabilities) | (111,191) | (120,730) | (86,182) |
| Net invested capital | 3,022,362 | 3,086,089 | 3,166,777 |
| Shareholder's equity - Group | (2,776,345) | (3,080,502) | (2,894,984) |
| Shareholder's equity - Non-controlling interests | (22,590) | (24,028) | (20,066) |
| Total consolidated shareholders' equity | (2,798,935) | (3,104,530) | (2,915,050) |
| Long-term financial, net surplus/(deficit) | (529,428) | (547,628) | (586,735) |
| Short-term financial, net surplus/(deficit) | 306,001 | 566,069 | 335,008 |
| Net financial position surplus/(deficit) | (223,427) | 18,441 | (251,727) |
| Shareholders' equity and net financial position | (3,022,362) | (3,086,089) | (3,166,777) |
| Debt to Equity ratio | 7.4% | n/a | 8.6% |

At July 31, 2017, the consolidated asset and financial structure was based on net invested capital of Euro 3,022.4 million, financed by net debt of Euro 223.4 million and Group equity of Euro 2,776.4 million.

The Euro 69.7 million decrease in non-current assets, consisting primarily of tangible and intangible assets, was due mainly to the Euro 112.7 million depreciation of the period and exchange differences of Euro 49.4 million, net of capital expenditures of Euro 105.6 million. The expenditures included Euro 63.6 million targeted to the retail network to finance numerous projects to renovate store layout in order to further enhance the customer experience. Other capital expenditures totaling Euro 42 million were allotted to the production and logistics structure and to information technology, specifically to implement the omnichannel marketing strategy.

The net operating working capital at July 31, 2017 is Euro 552.7 million, practically unchanged from January 31, 2017:

- trade receivables fell by Euro 18.7 million due to exchange differences and differences occurred in the timing of collection of some receivable;
- inventory rose by Euro 35.7 million, consisting of Euro 21.3 million for finished products and Euro 14.4 million for raw materials and work in progress. The increase coincides

with a retail restocking phase;

- trade payables rose by Euro 20.6 million, consistently with the dynamics of the production cycle.

The other current assets (net) are practically unchanged from January 31, 2017 because the Euro 30 million decrease in tax credits was offset by the closing of derivative contracts, a decrease in investment debts and a decrease in payables due to employees.

The other non-current liabilities (net) fell by Euro 9.5 million, mainly as a result of reduced risk provisions and long-term rent and deferred benefit liabilities.

During the six-month period the Group paid Euro 307.1 million in dividends to PRADA spa shareholders. The Group's equity was further reduced by Euro 121.1 million as a result of the weakening of the major foreign currencies against the Euro.

Net financial position

The following table provides details of the Group's net financial position.

| (amounts in thousands of Euro) | July 31 2017 (unaudited) | January 31 2017 (audited) | July 31 2016 (unaudited) |
|--|--------------------------------|---------------------------------|--------------------------------|
| Bonds | (130,000) | (130,000) | (130,000) |
| Bank borrowing – non-current | (399,428) | (417,628) | (456,735) |
| Total financial payables - non-current | (529,428) | (547,628) | (586,735) |
| Financial payables and bank overdrafts - current, Finance lease obligations - current | (359,206) | (151,211) | (334,741) |
| Payables to parent company and related parties | (4,523) | (4,934) | (5,674) |
| Total financial payables - current | (363,729) | (156,145) | (340,415) |
| Total financial payables | (893,157) | (703,773) | (927,150) |
| Cash and cash equivalents | 669,730 | 722,214 | 675,423 |
| Total financial receivables and cash and cash equivalents | 669,730 | 722,214 | 675,423 |
| Net financial surplus/(deficit), total | (223,427) | 18,441 | (251,727) |
| Net financial surplus/(deficit) excluding related party balances | (218,904) | 23,375 | (246,053) |
| NFP/EBITDA ratio | -37.1% | n/a | -36.2% |

The cash flow generated by operating activities in the six-month period (Euro 208.2 million) enabled to finance the capital expenditures of the period (Euro 105.6 million) and to contribute to the payment of dividends to PRADA spa shareholders (Euro 307.1 million); the remaining portion of the dividends was paid through the use of credit lines. The financial position, net of the aforementioned cash flows, was further reduced by Euro 40.6 million on account of depreciation of the major currencies against the Euro.

In order to benefit from favorable financial market conditions, during the period PRADA spa stipulated a new long-term loan of Euro 200 million with IntesaSanpaolo spa, which is still unused as of July 31, 2017. The total amount of undrawn credit lines at July 31, 2017 is Euro 639 million.

Risk factors

Risk factors regarding the international luxury goods market

Economic risks and international business risks

The performance of the luxury goods market is influenced to a large extent by the general economy. Accordingly, the Group's business performance is exposed to global macroeconomic risks due to its international scale.

The international economic environment could adversely affect the demand for the Group's products and access to credit, causing financial difficulties for customers and other parties with which the Group operates. Overall, these factors could have a negative impact on the Group's operations, results, cash flows and financial condition.

A substantial portion of the Group's sales originates from purchases of products by customers on trips abroad. Consequently, unfavorable economic conditions, social or geopolitical situations leading to instability and natural disasters resulting in lower travel volumes have in the past, and could in the future, negatively impact the Group's business and results. At the same time, the global scale of the retail network enables to mitigate the risk that the sales of a particular geographical area could influence significantly the consolidated sales.

Intellectual property risks

The Prada Group's brands have always been associated with beauty, creativity, tradition and excellent quality. Prada's ability to protect its brands and other intellectual property rights means safeguarding these fundamental assets that are responsible for the success of the brands and the brand positioning.

The Group protects its brands, designs, patents and websites by registering them and obtaining legal protection for them in all countries throughout the world. The Group actively opposes all forms of counterfeiting and intellectual property infringement by adopting strong, systematic measures worldwide. The wholesale, retail, online and off-line markets are monitored daily in close collaboration with the relevant authorities, customs agencies and police.

Risks regarding image and brand recognition

The Group's success in the international luxury goods business is linked to the image and distinct character of its brands. These features depend on many factors, such as the style and design of the products, the quality of the materials and production techniques used, the image and locations of DOS, careful selection of licensees, communications activities and the general corporate profile.

Preserving the image and prestige acquired by its brands in the fashion and luxury business is an objective that the Prada Group pursues by monitoring meticulously each internal and external phase of the value chain thus ensuring excellent quality while upholding the Group's reputation. The prestige of the brands is also pursued by innovation in styles, products and communications in order to convey messages that are always consistent with the strong brand identities.

Risks regarding ability to anticipate trends and react to shifts in consumer tastes

The Group's success is reliant on its ability to create and define fashion and product trends, and to anticipate shifts in consumer tastes and luxury market trends in a timely manner.

The Group pursues its objective of leading the luxury goods market by stimulating consumer markets and inspiring trends through the creative efforts of its design and product development teams. This business area consists of approximately 1,000 individuals working in the design division, where a mix of nationalities, cultures and talents contribute to creativity, and in the development division, where craft skills combined with solid manufacturing processes enable the Group to continue to compete and keep abreast of emerging consumer trends and lifestyles.

Risks specific to the Prada Group

Strategic risks

The possibility for the Group to improve its business performance depends on the successful implementation of its strategy for each brand, based primarily on the continuous support of the performance of the retail network and its ongoing integration with the digital universe.

The Group provides support to the retail network by offering leather goods, clothing and footwear that reflect the brand positions, accompanied by store management geared toward making the buying experience unique. The performance of the retail channel is also supported by localized marketing initiatives intended to enhance the identity of the brands and the key features of the Group's value chain. Numerous store renovation and restyling projects aim to further expand the capacity to attract customers and create an increasingly exclusive store ambiance.

Risks regarding the importance of key personnel

The Group's success depends on the contribution of key individuals who have played an essential role in the Group's expansion and who have substantial experience in the fashion and luxury goods business, and on Prada's ability to attract and retain people who are qualified in the design, marketing, merchandising and distribution of the products.

The Group considers its management structure to be capable of ensuring business continuity, and has recently implemented a long-term incentive plan to retain key employees so that they will continue to cover the roles essential to the achievement of the challenging objectives that the Group constantly sets itself.

Risks regarding the outsourcing of manufacturing activities

While the Group designs, controls and produces in-house the majority of its prototypes, samples and most sophisticated products, it outsources the production of its other finished products to external manufacturers with appropriate expertise and capacity.

The Group has implemented a strict inspection and quality control process for all outsourced production. Prada contractually requires its contract manufacturers to comply with all laws and regulations on brand ownership and other intellectual property rights, and with collective bargaining agreements concerning labor, social security, the workplace, and occupational health and safety. The Group also requires its contract manufacturers to read the Prada Group Code of Ethics and comply with the principles set forth therein.

Credit risk

Credit risk is defined as the risk of financial loss caused by the failure of a counterparty to meet its contractual obligations. The maximum risk to which an entity is exposed is represented by all the financial assets recognized in the financial statements. The Group considers its credit risk to involve primarily trade receivables generated from the wholesale channel and liquid assets. The Group manages credit risk and mitigates the related effects through its business and financial strategies.

With respect to trade receivables, credit risk is managed by monitoring and checking the reliability and solvency of customers. The lack of concentration of the total trade receivables with any one customer and the evenly spread out geographical composition of the receivables mitigate the exposure to credit risk.

With respect to liquid assets, the risk of default substantially relates to bank deposits, which represent the Group's most widely-used financial product for investing its operating cash flows, in keeping with its low-risk policy. Default risk is mitigated by the allocation of cash holdings to bank deposits that are diversified in terms of counterparty, country and currency, and by the consistently short-term period. The residual portion of liquid assets consists of cash and bank accounts. The Group considers no significant risk to exist on these kinds of liquid assets given that they are used for operating activities and business processes and, consequently, the number of third parties involved is fragmented.

Liquidity risk

Cash flow risk refers to difficulty that the Group could have in meeting its financial obligations. The Directors are responsible for managing cash flow risk, whereas the Corporate Finance management, which reports to the CFO, is responsible for optimizing financial resources.

The Directors consider the current funds and credit lines, in addition to those that will be generated by operating and financing activities, to be sufficient for enabling the Group to meet its requirements emerging from investing activities, manage working capital, make punctual loan repayments and pay dividends as planned.

Legal and regulatory risks

The Prada Group operates in a complex regulatory environment and so is exposed to the following legal risks:

- risks associated with non-compliance with the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong or with other laws or regulations in force in Hong Kong that the Company must observe as it is listed on the Stock Exchange of Hong Kong Limited;
- risks associated with non-compliance with laws and regulations applicable to the Company due to the listing on the Irish Stock Exchange of the bond notes issued in August 2013;
- risks associated with occupational health and safety under Italian Legislative Decree 81/08 and equivalent regulations in force in other countries;
- possible legal penalties for wrongful acts pursuant to Italian Law 231/2001 as subsequently amended;
- possible events that could adversely affect the reliability of the annual financial statements and the protection of assets;

- changes in international tax rules applicable in the various countries where the Group operates;
- possible manufacturing compliance risks regarding Italian and international laws and regulations for finished goods distributed and raw materials and consumables used.

The Group involves various divisions and uses external experts as necessary to keep its processes and procedures constantly updated in order to comply with changing rules and regulations, thereby reducing legal and regulatory risk to an acceptable level. Monitoring activities are performed by divisional managers, auditors, and special entities and committees such as the Supervisory Board, Internal Control Committee and Industrial Compliance Committee.

Foreign exchange risk

The Group has a vast international presence, and therefore is exposed to the risk that changes in currency exchange rates could adversely impact revenue, costs, margins and profit. In order to hedge the foreign exchange risk, the Group enters into derivative contracts designed to fix the value in Euro (or other functional currency) of the identified future cash flows. The future cash flows consist primarily of inflows of trade and financial receivables and outflows of trade payables. They refer mainly to PRADA spa, the Group's holding company and worldwide distributor of Prada and Miu Miu brand products.

The management of interest rate risk is described in more detail in the Notes to the Interim condensed consolidated financial statements.

Interest rate risk

Interest rate risk is the risk that future cash flows could be affected by interest rate fluctuation. In order to hedge this risk, which refers mainly to PRADA spa, the Group uses derivatives (such as interest rate swaps) to convert variable-rate debt into fixed-rate debt or debt within a specified range of rates.

The management of interest rate risk is described in more detail in the Notes to the Interim condensed consolidated financial statements.

Data processing risk

Data is processed using information systems whose governance model ensures that:

- information is adequately protected against the risk of unauthorized access and disclosure (including means to protect personal privacy and proprietary information), improper information modification or destruction (including accidental loss), and use incompatible with the job assigned;
- data is processed in accordance with the applicable laws and regulations.

Information on related-party transactions

Information on the Group's transactions and balances with related parties is provided in the Notes to the Interim condensed consolidated financial statements, insofar as required by IFRS, and in the Board of Directors' Financial Review and Corporate Governance Report, insofar as required by the Hong Kong Stock Exchange rules.

Non-IFRS measures

The Group uses certain financial measures ("non-IFRS measures") to measure its business performance and to help readers understand and analyze its statement of financial position. Although they are used by the Group's management, the measures

are not universally or legally defined and are not regulated by the IFRS adopted to prepare the Interim condensed consolidated financial statements. Other companies operating in the luxury goods business might use the same measures, but with different calculation criteria, so non-IFRS measures should always be read in conjunction with the related notes, and may not be directly comparable with those used by other companies. In this Interim Financial Report, the Prada Group used the following non-IFRS measures:

EBITDA: Earnings Before Interest, Taxation, Depreciation and Amortization, i.e. "consolidated net income for the period" adjusted to exclude "interest and other financial income/(expense) and dividends from investments", "taxes on income" and "depreciation, amortization and impairment".

EBIT: Earnings Before Interest and Taxation, i.e. "consolidated net income for the period" adjusted to exclude "interest and other financial income/(expense) and dividends from investments" and "taxes on income".

Net Financial Position: Short-term and long-term financial payables due to third and related parties, including lease obligations, net of cash and cash equivalents and short-term and long-term financial receivables due from third and related parties.

Free cash flows: net cash flows generated by operating activities, net of cash flows used in investing activities.

The following table sets forth the EBITDA and EBIT of the reported periods.

| (amounts in thousands of Euro) | six months ended July 31 2017 (unaudited) | twelve months ended Jan 31 2017 (audited) | six months ended July 31 2016 (unaudited) |
|--|--|--|--|
| Consolidated net income for the period | 116,082 | 284,189 | 145,297 |
| Taxes on income | 50,222 | 131,258 | 62,206 |
| Interest and other fin. income/(expenses) and div. from investments | 533 | 15,733 | 6,198 |
| EBIT - Earnings Before Interest and Taxation | 166,837 | 431,180 | 213,701 |
| Depreciation, amortization and impairment | 112,716 | 222,267 | 116,290 |
| EBITDA | 279,553 | 653,447 | 329,991 |

Financial Review Basis of Preparation

The Board of Directors' Financial Review refers to the Group of companies controlled by PRADA spa (the "Company"), operating holding company of the Prada Group (the "Group"), and is based on the Interim condensed consolidated financial statements of the Group for the six months ended July 31, 2017 prepared in accordance with IFRS as adopted by the European Union. This Financial Review must be read in conjunction with the Interim condensed consolidated financial statements and the related Notes, which are an integral part of the latter.

Outlook

The complex task of restructuring all operating processes, which is aimed at providing the Group with the tools needed to access an increasingly competitive market, is progressing well; however, more remains to be done.

Having one of the most recognized and most respected international brands, with undisputed leadership in design and innovation, means the Group has to make choices in the pursuit of growth that privilege the preservation of the cultural and stylistic fundamentals that the brand identity is based on.

The positive trends in Ready-to-Wear, which has been growing over many seasons, are confirmed as well as in the new products in the Leather goods segment, which have had an excellent reception in all markets. The Group remains committed to creating a balanced offer in terms of price ranges.

The extensive overhaul of Prada Group's cost structure creates operating leverage that will allow the Group profits to benefit rapidly from revenue growth. In the meantime, control over investments and net working capital will continue to protect cash generation.

The Group is confident that its action plan is the best way to return to steady growth in revenues and margins, albeit aware that benefits may take longer than expected. The Group's cash flow and balance sheet remain solid, allowing to focus on value creation for shareholders over a broad time horizon.

Milan, September 8, 2017

Corporate Governance

Corporate Governance practices

The Company is committed to maintaining a high standard of corporate governance practices as part of its commitment to effective corporate governance. The corporate governance model adopted by the Company consists of a set of rules and standards aimed toward establishing efficient and transparent operations within the Group, to protect the rights of the Company's shareholders and to enhance shareholder value. The corporate governance model adopted by the Company is in compliance with the applicable regulations in Italy, as well as the principles of the Corporate Governance Code (the "Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

Compliance with the Code

The Board has reviewed the Company's corporate governance practices and is satisfied that the Company's corporate governance practices have complied with the code provisions set out in the Code throughout the six months from February 1, 2017, to July 31, 2017 (the "Reviewed Period").

The Board

The Board of Directors of the Company (the "Board") is responsible for setting up the overall strategy as well as reviewing the operation and financial performance of the Company and the Group.

The Board is composed of nine Directors of which four are executive Directors, two are non-executive Directors and three are independent non-executive Directors.

The Board has established the Audit Committee, the Remuneration Committee and the Nomination Committee. Each Committee is chaired by an independent non-executive director. The written terms of reference of each Committee are of no less exacting terms than those set out in the Code and are available on the websites of the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

In addition, the Board has established a Supervisory Body under the Italian Legislative Decree 231 of June 8, 2001 (the "Decree").

Audit Committee

The Company has established an Audit Committee in compliance with Rule 3.21 of the Listing Rules where at least one member possesses appropriate professional qualifications in accounting or related financial management expertise to discharge the responsibility of the Audit Committee. The membership of the Audit Committee consists of three independent non-executive directors, namely, Mr. Gian Franco Oliviero Mattei (Chairman), Mr. Giancarlo Forestieri and Mr. Sing Cheong Liu. The primary duties of the Audit Committee are to assist the Board in providing an independent view of the effectiveness of the Company's financial reporting process and its internal control and risk management systems, to oversee the external and internal audit processes and the implementation of the Company's risk management functions and to perform other duties and responsibilities as are assigned to the Audit Committee by the Board. During the Reviewed Period, the Audit Committee held four meetings on March 1, 2017, April 6, 2017, April 12, 2017 and June 29, 2017, with an average attendance rate of 92%, mainly to review with the senior management, the Group's internal and external auditors and the board of statutory auditors, significant internal and external audit findings and financial matters, as required under the Committee's terms of reference, and to make relevant recommendations to the Board. The Audit Committee's review covered the audit plan for the year 2017, the findings of the internal auditors, internal controls, risk assessment, annual review of the Group's continuing connected transactions for 2016, tax and legal updates (including litigations)

and the financial reporting matters (including the annual results for the year 2016, before recommending them to the Board for approval).

The Audit Committee also held a meeting on September 5, 2017 to update on internal audit and risk management activities (attendance rate of 100%) and held a meeting on September 8, 2017 (attendance rate of 67%) to review the interim results for the period ended July 31, 2017, before recommending them to the Board for approval.

Remuneration Committee

The Company has established a Remuneration Committee in compliance with the Code. In compliance with Listing Rule 3.25, the Remuneration Committee is chaired by an independent non-executive director and comprises of a majority of independent non-executive directors. The primary duties of the Remuneration Committee are to make recommendations to the Board on the Company's policy and structure for the remuneration package of directors and senior management and the establishment of a formal and transparent procedure for developing policies on such remuneration. The recommendations of the Remuneration Committee are then put forward to the Board for consideration and, where appropriate, adoption. The Remuneration Committee consists of two independent non-executive directors, Mr. Gian Franco Oliviero Mattei (Chairman) and Mr. Giancarlo Forestieri, and one executive director, Mr. Carlo Mazzi. During the Reviewed Period, the Remuneration Committee held two meetings on April 11, 2017 and June 29, 2017, with an attendance rate of 100% to review and recommend certain updates to the long term incentive plan for executives and Directors and to review the management by objectives plan for the Company's executives.

Nomination Committee

The Company has established a Nomination Committee in compliance with the Code. The primary duties of the Nomination Committee are to determine the policy for the nomination of directors and to make recommendations to the Board on the structure, size and composition of the Board itself, on the selection of new Directors and on the succession plans for Directors. The Nomination Committee also assesses the independence of independent non-executive directors. The recommendations of the Nomination Committee are then put forward to the Board for consideration and, where appropriate, adoption. The Nomination Committee consists of two independent non-executive directors, Mr. Gian Franco Oliviero Mattei (Chairman) and Mr. Sing Cheong Liu, and one executive director, Mr. Carlo Mazzi. During the Reviewed Period, the Nomination Committee held one meeting on April 11, 2017, with an attendance rate of 100% to perform the annual review of the independence of independent non-executive directors.

Board of Statutory Auditors

Under Italian law, the Company is required to have a board of statutory auditors, appointed by the shareholders for a term of three financial years, with the authority to supervise the Company on its compliance with the applicable law, regulations and the By-laws, as well as on its compliance with the principles of proper management and, in particular, on the adequacy of the organizational, administrative and accounting structure adopted by the Company and its functioning.

The board of statutory auditors of the Company consists of Mr. Antonino Parisi (Chairman), Mr. Roberto Spada and Mr. David Terracina. The alternate statutory auditors are Ms. Stefania Bettoni and Mr. Cristiano Proserpio. During the Reviewed Period, the board of statutory auditors attended two Board meetings of the Company on April 12, 2017 and June 29, 2017. They also attended the Board meeting of the Company on September 8, 2017.

Supervisory Body

In compliance with the Decree, the Company has established a supervisory body whose primary duty is to ensure the functioning, effectiveness and enforcement of the Company's Model of Organization, adopted by the Company pursuant to the Decree. The supervisory body consists of three members appointed by the Board selected among qualified and experienced individuals, including independent non-executive directors, qualified auditors, executives or external individuals. The supervisory body consists of Mr. David Terracina (Chairman), Mr. Gian Franco Oliviero Mattei and Mr. Paolo De Paoli.

Dividends

The Company may distribute dividends subject to the approval of the shareholders in a shareholders' general meeting.

No dividends have been declared or paid by the Company in respect of the Reviewed Period.

On April 12, 2017, the Board of the Company recommended the payment of a final dividend for the financial year 2016 of Euro/cents 12 per share in the capital of the Company, representing a total dividend of Euro 307,058,880. The Shareholders approved the distribution and payment of this dividend at the shareholders' general meeting of the Company held on May 31, 2017. The dividend was paid on June 20, 2017.

Change in Information of Directors Pursuant to Listing Rule 13.51B(1)

Pursuant to Rule 13.51B(1) of the Listing Rules, there was no change in information of Directors since the Company's 2016 Annual Report.

Directors' Securities Transactions

The Company has adopted written procedures governing Directors' securities transactions on terms no less exacting than the standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "Model Code"). Specific written confirmations have been obtained from each Director to confirm his/her compliance with the required standard set out in the Model Code and the Company's relevant procedures regarding Directors' securities transactions for the Reviewed Period. There was no incident of non-compliance during the Reviewed Period.

The Company has also adopted written procedures governing securities transactions carried out by relevant employees who are likely to be in possession of inside information in relation to the Company and its securities. The terms of these procedures are no less exacting than the standard set out in the Model Code.

Purchase, Sale, or Redemption of the Company's Listed Securities

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the Reviewed Period.

Directors' interests and short positions in securities

As at July 31, 2017, the Directors of the Company and their associates held the following interests in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code:

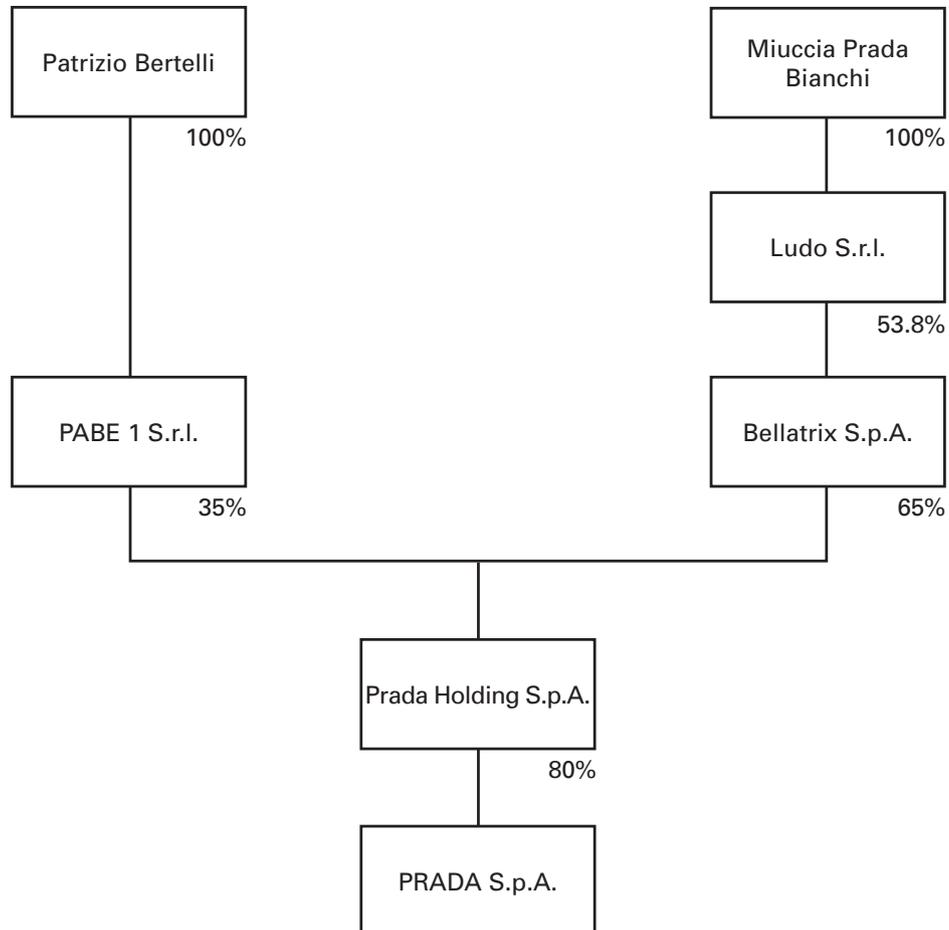
(a) Long positions in shares and underlying shares of the Company

| Name of Director | Number of Shares | Nature of Interest | Approximate Percentage of Issued Capital |
|---------------------------|----------------------------------|------------------------------------|--|
| Ms. Miuccia Prada Bianchi | 2,046,470,760 (Notes 1 and 2) | Interest of Controlled corporation | 80% |
| Mr. Patrizio Bertelli | 2,046,470,760 (Notes 1 and 3) | Interest of Controlled corporation | 80% |

Notes:

1. Prada Holding S.p.A. owns approximately 80% of the issued capital in the Company and is therefore the holding company of the Company.
2. Ms. Miuccia Prada Bianchi, owns indirectly through Ludo S.r.l. 53.8% (comprised of 438,460 ordinary shares and 100,000 preference shares) of the capital in Bellatrix S.p.A., which in turn owns 65% (comprised of 1,650 ordinary shares and 300 preference shares) of the capital in Prada Holding S.p.A.. Ms. Miuccia Prada Bianchi is therefore deemed under the SFO to be interested in all the shares registered in the name of Prada Holding S.p.A.. Ms. Miuccia Prada Bianchi is also a director of Prada Holding S.p.A., Bellatrix S.p.A. and Ludo S.r.l..
3. Mr. Patrizio Bertelli owns, indirectly through PABE 1 S.r.l. 35% (comprised of 750 ordinary shares and 300 preference shares) of the capital in Prada Holding S.p.A.. Mr. Patrizio Bertelli is therefore deemed under the SFO to be interested in all the shares registered in the name of Prada Holding S.p.A.. Mr. Patrizio Bertelli is also a director of PABE 1 S.r.l..

The deemed interests of Ms. Miuccia Prada Bianchi and Mr. Patrizio Bertelli in the shares of the Company as at July 31, 2017 are summarized in the following chart:



(b) Long positions in shares and underlying shares of associated corporations

| Name of Director | Name of associated corporations | Class of shares | Number of shares | Nature of Interests | Approximate percentage of Interests |
|---------------------------|---|-----------------------------|------------------|------------------------|-------------------------------------|
| Ms. Miuccia Prada Bianchi | Prada Holding S.p.A. | Ordinary Shares | 1,650 | Controlled Corporation | 68.75% |
| | Prada Holding S.p.A. | Preference Shares | 300 | As above | 50% |
| | Prapar Corporation | Common Shares | 50 | As above | 100% |
| | MFH Munich Fashion Holding GmbH | Registered Share | 1 | As above | 100% |
| | PAC S.r.l. (in liquidation) | Participation Quotas (Euro) | 30,600 | As above | 100% |
| | Bellatrix S.p.A. | Ordinary Shares | 438,460 | As above | 49.83% |
| | Bellatrix S.p.A. | Preference Shares | 100,000 | As above | 83.34% |
| | Ludo S.r.l. | Ordinary Shares | 100,311 | Beneficial Owner | 100% |
| | PRA 1 S.r.l. | Participation Quotas (Euro) | 10,000 | Controlled Corporation | 100% |
| | C.I.D. – Cosmetics International Distribution Corp. | Common Share | 1 | As above | 100% |
| | Fratelli Prada S.p.A. | Ordinary Shares | 734,754 | As above | 73.48% |
| | Petranera S.r.l. | Participation Quotas (Euro) | 2 | As above | 100% |
| | PABE-RE LLC | Capital Contribution (JPY) | 1,000,000 | As above | 100% |
| Mr. Patrizio Bertelli | Prada Holding S.p.A. | Ordinary Shares | 750 | Controlled corporation | 31.25% |
| | Prada Holding S.p.A. | Preference Shares | 300 | As above | 50% |
| | Prapar Corporation | Common Shares | 50 | As above | 100% |
| | MFH Munich Fashion Holding GmbH | Registered Share | 1 | As above | 100% |
| | PAC S.r.l. (in liquidation) | Participation Quotas (Euro) | 30,600 | As above | 100% |
| | C.I.D. – Cosmetics International Distribution Corp. | Common Share | 1 | As above | 100% |
| | PABE-RE LLC | Capital Contribution (JPY) | 1,000,000 | As above | 100% |

Save as disclosed above, as at July 31, 2017, none of the Directors of the Company or their associates held any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Substantial shareholders' interests and short positions in securities

As at July 31, 2017, other than the interests of the Directors of the Company as disclosed above, the following persons held interests in the shares or underlying shares of the Company which fall to be disclosed to the Company under Section 336 of the SFO:

| Name of Shareholder | Capacity | Number of Shares | Approximate percentage of issued capital |
|------------------------|--|------------------|--|
| Long Positions | | | |
| Prada Holding S.p.A. | Legal and beneficial owner | 2,046,470,760 | 80.00% |
| Bellatrix S.p.A. | Interest of controlled corporation | 2,046,470,760 | 80.00% |
| Ludo S.r.l. | Interest of controlled corporation | 2,046,470,760 | 80.00% |
| PABE 1 S.r.l. | Interest of controlled corporation | 2,046,470,760 | 80.00% |
| OppenheimerFunds, Inc. | Beneficial owner | 150,723,710 | 5.89% |
| | Beneficial owner (1,704,720) | | |
| | Investment manager (1,025,300) | | |
| JPMorgan Chase & Co. | Trustee (other than a bare trustee) (7,178) | 128,182,809 | 5.00% |
| | Custodian corporation / approved lending agent (125,445,611) | | |
| Short Positions | | | |
| JPMorgan Chase & Co. | Beneficial owner | 481,024 | 0.01% |
| Lending Pool | | | |
| JPMorgan Chase & Co. | Custodian corporation / approved lending agent | 125,445,611 | 4.90% |

Note:

Prada Holding S.p.A. owns approximately 80% of the issued capital in the Company. As Ludo S.r.l. owns 53.8% of Bellatrix S.p.A. which in turn owns 65% of Prada Holding S.p.A. and PABE 1 S.r.l. owns 35% of Prada Holding S.p.A., Bellatrix S.p.A., Ludo S.r.l. and PABE 1 S.r.l. are all deemed to be interested in the 2,046,470,760 shares held by Prada Holding S.p.A..

Interim condensed consolidated financial statements

Consolidated statement of financial position

| (amounts in thousands of Euro) | Note | July 31 2017 (unaudited) | January 31 2017 (audited) |
|--|------|--------------------------------|---------------------------------|
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | 6 | 669,730 | 722,214 |
| Trade receivables, net | 7 | 266,795 | 285,504 |
| Inventories, net | 8 | 562,620 | 526,941 |
| Derivative financial instruments - current | 9 | 20,416 | 7,045 |
| Receivables from, and advance payments to, related parties - current | 10 | 9,425 | 14,964 |
| Other current assets | 11 | 215,150 | 253,375 |
| Total current assets | | 1,744,136 | 1,810,043 |
| Non-current assets | | | |
| Property, plant and equipment | 12 | 1,490,151 | 1,542,684 |
| Intangible assets | 13 | 915,913 | 921,800 |
| Associated undertakings | 14 | 9,311 | 11,775 |
| Deferred tax assets | 32 | 237,478 | 247,266 |
| Other non-current assets | 15 | 111,925 | 123,361 |
| Derivative financial instruments - not current | 9 | 2,620 | - |
| Total non-current assets | | 2,767,398 | 2,846,886 |
| Total Assets | | 4,511,534 | 4,656,929 |
| Liabilities and total Shareholders' Equity | | | |
| Current liabilities | | | |
| Short-terms financial payables and bank overdrafts | 16 | 359,206 | 151,211 |
| Payables to related parties - current | 17 | 5,058 | 5,542 |
| Trade payables | 18 | 276,730 | 256,094 |
| Tax payables | 19 | 49,737 | 65,467 |
| Derivative financial instruments - current | 9 | 11,320 | 13,634 |
| Other current liabilities | 20 | 132,451 | 144,827 |
| Total current liabilities | | 834,502 | 636,775 |
| Non-current liabilities | | | |
| Long-term financial payables | 21 | 529,428 | 547,628 |
| Post-employment benefits | 22 | 60,215 | 67,211 |
| Provision for risk and charges | 23 | 77,546 | 82,323 |
| Deferred tax liabilities | 32 | 34,109 | 31,140 |
| Other non-current liabilities | 24 | 169,436 | 179,072 |
| Derivative financial instruments - not current | 9 | 7,363 | 8,250 |
| Total non-current liabilities | | 878,097 | 915,624 |
| Total liabilities | | 1,712,599 | 1,552,399 |
| Share capital | | | |
| Share capital | | 255,882 | 255,882 |
| Total other reserves | | | |
| Total other reserves | | 2,381,085 | 2,401,500 |
| Translation reserve | | 23,636 | 144,791 |
| Net income for the period | | 115,742 | 278,329 |
| Equity attributable to owners of the Group | 25 | 2,776,345 | 3,080,502 |
| Equity attributable to Non-controlling interests | 26 | 22,590 | 24,028 |
| Total Equity | | 2,798,935 | 3,104,530 |
| Total Liabilities and Total Equity | | 4,511,534 | 4,656,929 |
| Net current assets | | 909,634 | 1,173,268 |
| Total assets less current liabilities | | 3,677,032 | 4,020,154 |

Consolidated Statement of Profit or Loss

| (amounts in thousands of Euro) | Note | six months ended July 31 2017 (unaudited) | % | six months ended July 31 2016 (unaudited) | % |
|--|-----------|--|--------------|--|--------------|
| Net Revenues | 27 | 1,468,636 | 100.0% | 1,554,172 | 100.0% |
| Cost of goods sold | 28 | (379,995) | -25.9% | (432,231) | -27.8% |
| Gross Margin | | 1,088,641 | 74.1% | 1,121,941 | 72.2% |
| Operating expenses | 29 | (921,804) | -62.7% | (908,240) | -58.4% |
| EBIT | | 166,837 | 11.4% | 213,701 | 13.8% |
| Interest and other financial expenses, net | 30 | (890) | -0.1% | (6,756) | -0.4% |
| Dividends from investments | 31 | 357 | 0.0% | 558 | 0.0% |
| Income before taxation | | 166,304 | 11.3% | 207,503 | 13.4% |
| Taxation | 32 | (50,222) | -3.4% | (62,206) | -4.1% |
| Net income for the period | | 116,082 | 7.9% | 145,297 | 9.3% |
| Net income - Non-controlling interests | 26 | 340 | 0.0% | 3,374 | 0.2% |
| Net income - Group | 25 | 115,742 | 7.9% | 141,923 | 9.1% |
| Basic and diluted earnings per share (in Euro per share) | 33 | 0.045 | | 0.055 | |

Consolidated statement of cash flows

| (amounts in thousands of Euro) | six months ended July 31 2017 (unaudited) | six months ended July 31 2016 (unaudited) |
|---|--|--|
| Income before taxation | 166,303 | 207,503 |
| Profit or loss adjustments | | |
| Depreciation and amortization from continuing operations | 108,334 | 112,703 |
| Impairment of property, plant and equipment and intangible assets | 4,382 | 3,588 |
| Non-monetary financial (income) expenses | (12,487) | 118 |
| Other non-monetary charges | 9,899 | 1,517 |
| Balance Sheet changes | | |
| Other non-current assets and liabilities | (10,799) | (9,841) |
| Trade receivables, net | 13,134 | (57,234) |
| Inventories, net | (54,017) | 68,426 |
| Trade payables | 25,265 | (16,554) |
| Other current assets and liabilities | (16,932) | 3,318 |
| Cash flows from operating activities | 233,082 | 313,544 |
| Interest paid, net – third parties | (7,318) | (8,464) |
| Taxes paid | (17,608) | (38,352) |
| Net cash flows from operating activities | 208,156 | 266,728 |
| Purchases of property, plant and equipment and intangible assets | (103,869) | (114,335) |
| Disposals of property, plant and equipment and intangible assets | 841 | 708 |
| Dividends from investments | - | 575 |
| Transactions with Non-controlling shareholders | (1,275) | - |
| Business combination | - | (1,623) |
| Net cash flow utilized by investing activities | (104,303) | (114,675) |
| Dividends paid to shareholders of PRADA spa | (307,059) | (281,471) |
| Dividends paid to non-controlling shareholders | (451) | (369) |
| New loans from related companies | - | 1,000 |
| Repayment of short term portion of long term borrowings - third parties | (26,909) | (46,550) |
| Arrangement of long-term borrowings – third parties | 8,668 | 120,000 |
| Change in short-term borrowings – third parties | 218,623 | 51,038 |
| Share capital increases by non-controlling shareholders of subsidiaries | 89 | 109 |
| Cash flows generated/(utilized) by financing activities | (107,039) | (156,243) |
| Change in cash and cash equivalents, net of bank overdrafts | (3,186) | (4,190) |
| Foreign exchange differences | (49,686) | (986) |
| Opening cash and cash equivalents, net of bank overdraft | 722,214 | 680,595 |
| Closing cash and cash equivalents, net of bank overdraft | 669,342 | 675,419 |
| Cash and cash equivalents | 669,730 | 675,423 |
| Bank overdraft | (388) | (4) |
| Closing cash and cash equivalents, net of bank overdraft | 669,342 | 675,419 |

Consolidated statement of changes in Shareholders' equity (amounts in thousands of Euro, except number of shares)

| (amounts in thousands of Euro) | Number of shares | Share Capital | Translation Reserve | Share premium reserve | Cash flow hedge reserve | Actuarial Reserve | Fair Value Available for sale Reserve | Other reserves | Total Other Reserves | Net income | Equity | | Total Equity |
|---|------------------|---------------|---------------------|-----------------------|-------------------------|-------------------|---------------------------------------|----------------|----------------------|------------|--|-----------------------------|--------------|
| | | | | | | | | | | | Equity attributable to owners of Group | Non - controlling interests | |
| Balance at January 31, 2016 (audited) | 2,558,824,000 | 255,882 | 138,547 | 410,047 | (7,100) | (8,161) | 933 | 1,959,304 | 2,355,023 | 330,888 | 3,080,340 | 17,037 | 3,097,377 |
| Allocation of 2015 net income | - | - | - | - | - | - | - | 330,888 | 330,888 | (330,888) | - | - | - |
| Dividends | - | - | - | - | - | - | - | (281,471) | (281,471) | - | (281,471) | (369) | (281,840) |
| Transactions with non-controlling interests | - | - | - | - | - | - | - | (1,283) | (1,283) | - | (1,283) | (249) | (1,532) |
| Capital injection in subsidiaries | - | - | - | - | - | - | - | - | - | - | - | 109 | 109 |
| Comprehensive income for the six months (recyclable to P&L) | - | - | (27,645) | - | (14,130) | - | (486) | - | (14,616) | 141,923 | 99,662 | 3,538 | 103,200 |
| Comprehensive income for the six months (not recyclable to P&L) | - | - | - | - | - | (2,264) | - | - | (2,264) | - | (2,264) | - | (2,264) |
| Balance at July 31, 2016 (unaudited) | 2,558,824,000 | 255,882 | 110,902 | 410,047 | (21,230) | (10,425) | 447 | 2,007,438 | 2,386,277 | 141,923 | 2,894,984 | 20,066 | 2,915,050 |
| Dividends | - | - | - | - | - | - | - | - | - | - | - | (337) | (337) |
| Share Capital Increase | - | - | - | - | - | - | - | - | - | - | - | 905 | 905 |
| Transactions with non-controlling interests | - | - | - | - | - | - | - | (725) | (725) | - | (725) | 529 | (196) |
| Comprehensive income for the six months (recyclable to P&L) | - | - | 33,889 | - | 13,333 | - | (2,103) | - | 11,230 | 136,406 | 181,525 | 2,863 | 184,388 |
| Comprehensive income for the six months (not recyclable to P&L) | - | - | - | - | - | 4,718 | - | - | 4,718 | - | 4,718 | 2 | 4,720 |
| Balance at January 31, 2017 (audited) | 2,558,824,000 | 255,882 | 144,791 | 410,047 | (7,897) | (5,707) | (1,656) | 2,006,713 | 2,401,500 | 278,329 | 3,080,502 | 24,028 | 3,104,530 |
| Allocation of 2016 net income | - | - | - | - | - | - | - | 278,329 | 278,329 | (278,329) | - | - | - |
| Dividends | - | - | - | - | - | - | - | (307,059) | (307,059) | - | (307,059) | (451) | (307,510) |
| Transactions with non-controlling interests | - | - | - | - | - | - | - | - | - | - | - | 335 | 335 |
| Capital injection in subsidiaries | - | - | - | - | - | - | - | - | - | - | - | 89 | 89 |
| Comprehensive income for the six months (recyclable to P&L) | - | - | (121,155) | - | 10,212 | - | (1,903) | 4 | 8,313 | 115,742 | 2,900 | (1,411) | 1,489 |
| Comprehensive income for the six months (not recyclable to P&L) | - | - | - | - | - | 2 | - | - | 2 | - | 2 | - | 2 |
| Balance at July 31, 2017 (unaudited) | 2,558,824,000 | 255,882 | 23,636 | 410,047 | 2,315 | (5,705) | (3,559) | 1,977,987 | 2,381,085 | 115,742 | 2,776,345 | 22,590 | 2,798,935 |

Consolidated statement of comprehensive income

| (amounts in thousands of Euro) | six months ended July 31 2017 (unaudited) | twelve months ended January 31 2017 (audited) | six months ended July 31 2016 (unaudited) |
|--|--|--|--|
| Net income for the period – Consolidated | 116,082 | 284,190 | 145,297 |
| A) Items recyclable to P&L: | | | |
| Change in Translation Reserve | (122,894) | 6,784 | (27,480) |
| Tax impact | - | - | - |
| Change in Translation Reserve less Tax Impact | (122,894) | 6,784 | (27,480) |
| Change in Cash Flow Hedge reserve | 13,477 | (914) | (18,080) |
| Tax impact | (3,265) | 117 | 3,950 |
| Change in Cash Flow Hedge reserve less Tax Impact | 10,212 | (797) | (14,130) |
| Change in Fair Value reserve | (2,475) | (3,452) | (648) |
| Tax impact | 572 | 863 | 162 |
| Change in Fair Value reserve less Tax Impact | (1,903) | (2,589) | (486) |
| B) Items not recycled to P&L: | | | |
| Change in Actuarial reserve | - | 3,277 | (2,409) |
| Tax impact | - | (821) | 145 |
| Change in Actuarial reserve less Tax Impact | - | 2,456 | (2,264) |
| Consolidated comprehensive income for the period | 1,497 | 290,044 | 100,937 |
| Comprehensive income for the period - Non Controlling Interests | (1,411) | 6,403 | 3,538 |
| Comprehensive income for the period - Group | 86 | 283,641 | 97,399 |

The accounting policies and the notes are an integral part of the consolidated financial statements.

Notes to the Interim condensed consolidated financial statements

1. General information

PRADA spa (the “Company”), together with its subsidiaries (jointly the “Group”), is listed on the Hong Kong Stock Exchange (HKSE code: 1913). It is one of the world leaders in the luxury goods sector where it operates with the Prada, Miu Miu, Church’s and Car Shoe brands in the design, production and distribution of luxury handbags, leather goods, footwear, apparel and accessories. The Group also operates in the eyewear and fragrance industries under specific licensing agreements stipulated with industry leaders, and with the recent acquisition (2014) of Pasticceria Marchesi 1824, it has made its entry into the food industry, where it is positioned at the highest levels of quality.

The Group’s products are sold in 70 countries worldwide through a network that included 613 Directly Operated Stores (DOS) at July 31, 2017 and a selected network of luxury department stores, independent retailers, franchise stores and on-line distributors (e-tailers).

The Company is a joint-stock company, registered and domiciled in Italy. Its registered office is in via Fogazzaro 28, Milan, Italy. At the date of these unaudited Interim condensed consolidated financial statements, 79.98% of the share capital is owned by PRADA Holding spa, a company domiciled in Italy, while the remaining shares are floating on the Main Board of the Hong Kong Stock Exchange.

The Interim condensed consolidated financial statements were approved and authorized for issue by the Board of Directors of PRADA spa on September 08, 2017.

2. Basis of preparation

The unaudited Interim condensed consolidated financial statements of the Prada Group for the six months ended July 31, 2017, including the “Consolidated statement of financial position”, the “Consolidated Statement of Profit or Loss”, the “Consolidated statement of comprehensive income”, the “Consolidated statement of cash flows”, the “Consolidated statement of changes in Shareholders’ equity” and the “Notes to the Interim condensed consolidated financial statements”, have been prepared in accordance with the “IAS 34 Interim Financial Reporting”.

These Interim condensed consolidated financial statements should be read together with the Consolidated financial statements of the Prada Group for the twelve months ended January 31, 2017 that were prepared in accordance with the International Financial Reporting Standards (“IFRSs”) issued by the International Accounting Standards Board (“IASB”) as endorsed by the European Union.

At the date of presentation of these Interim condensed consolidated financial statements, there were no differences between IFRSs as endorsed by the European Union and applicable to the Prada Group and those issued by the IASB.

IFRSs also refer to all International Accounting Standards (“IAS”) and all interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”), previously called the Standing Interpretations Committee (“SIC”).

The Group has prepared the Interim condensed consolidated statement of financial position presenting separately current and non-current assets and liabilities. All the details needed for an accurate and complete information are provided in the Notes to the Interim condensed consolidated financial statements. The Consolidated statement of profit or loss is classified by destination. The cash flow information is provided in the Consolidated statement of cash flows which has been prepared under the indirect method.

The Interim condensed consolidated financial statements have been prepared on a

going concern basis and are presented in Euro which is also the functional currency of PRADA spa.

In accordance with IFRSs, the preparation of consolidated financial statements requires management to make estimates and assumptions when determining the values of certain types of assets, liabilities, revenues and costs and when assessing contingent assets and liabilities.

3. New IFRS and amendments to IFRS

New standards and amendments issued by the IASB, endorsed by the European Union and applicable to the Prada Group from February 1, 2017.

No new principles have been adopted by the European Union, therefore the IFRS standards adopted in the preparation of this document are the same as those used in the preparation of the Consolidated financial statements as at January 31, 2017.

New standards and amendments issued by the IASB, endorsed by the European Union but not yet applicable to the Prada Group as effective for financial years beginning on January 1, 2018.

| New standards | Effective date for the Prada Group | EU endorsement status |
|--|------------------------------------|----------------------------|
| IFRS 9 Financial Instruments | January 1, 2018 | Endorsed on November 2016 |
| IFRS 15 Revenues from Contracts with Customers | January 1, 2018 | Endorsed on September 2016 |

New Standards, changes and operational guidelines issued by the IASB, not yet endorsed by the European Union at the date of this Interim consolidated financial statements.

| New standards | Effective date for the Prada Group | EU endorsement status |
|--------------------------------------|------------------------------------|-----------------------|
| IFRS 14 Regulatory Deferral Accounts | January 1, 2016 (*) | Not yet endorsed |
| IFRS 16 Leases | January 1, 2019 | Not yet endorsed |
| IFRS 17 Insurance Contracts | January 1, 2021 | Not yet endorsed |

| Amendments to existing standards | Effective date for the Prada Group | EU endorsement status |
|--|------------------------------------|-----------------------|
| IFRS 10 and IAS 28: Sale or assignment of assets | February 1, 2016 | Not yet endorsed |
| IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses | January 1, 2017 (*) | Not yet endorsed |
| IAS 7 Statement of Cash Flows | January 1, 2017 (*) | Not yet endorsed |
| 2014–2016 Cycle that impacted IFRS 1, IAS 28, IFRS12 | January 1, 2017 (*) | Not yet endorsed |
| Clarification on IFRS 15 Revenues from Contracts with Customers | January 1, 2018 | Not yet endorsed |
| IFRS 2 Share-based Payments | January 1, 2018 | Not yet endorsed |
| IAS 40 Investment Property | January 1, 2018 | Not yet endorsed |
| IFRIC 22 Interpretation on transactions involving an advance in foreign currency | January 1, 2018 | Not yet endorsed |
| IFRIC 23 Interpretation regarding the accounting of income taxes | January 1, 2019 | Not yet endorsed |

(*) Changes issued by the IASB effective from January 1, 2017 (IFRS 14, IAS 12, IFRS 7, Cycle 2014-2016) have not yet terminated the EU approval process on July 31, 2017. However, the Directors consider their impact not material.

At the date of this Consolidated financial statements, the Directors did not finish the necessary analyzes to estimate the impacts of the new standards, changes and operating guidelines not yet applicable to the Prada Group. However, in view of the significance of commercial lease contracts for the Group, it is reasonable to conclude that the impact of "IFRS 16 Leases" will be material.

4. Acquisitions and incorporation of companies

On April 7, 2017, PRADA Far East II bv, a company entirely owned by PRADA spa, concluded the process of transferring its registered office from the Netherlands to Italy and changed its name into PRADA Far East II srl; it will be soon merged into PRADA spa.

On April 18, 2017, the parent company PRADA spa acquired a further 30% stake in Hipic Prod Impex srl, bringing its ownership to 80%.

On May 1, 2017, PRADA Hong Kong P.D. Limited was incorporated into PRADA Asia Pacific Limited.

5. Operating segments

"IFRS 8 Operating Segments" requires that detailed information be provided for each operating segment that makes up the business. An operating segment is defined as a business division whose operating results are regularly reviewed by top management in order to allocate appropriate resources to the segment and assess its performance.

Because of the Group's matrix-based organizational structure (whereby responsibility is assigned cross-functionally in relation to brands, products, distribution channels and geographical areas), the complementary nature of the various brands' production processes and the many relationships between the different business divisions, it is not possible to designate operating segments as defined by IFRS 8 since the top management is only provided with the financial performance on a Group-wide level. For this reason, the business is considered a single operating segment as this better represents the specific characteristics of the Prada Group business model.

The detailed information given below on net revenues by distribution channel, brand, geographical area and product, as well as non-current assets by geographical area, is also provided in the Financial Review together with additional comments.

Net Revenues

| (amounts in thousands of Euro) | six months ended July 31 2017 (unaudited) | % | six months ended July 31 2016 (unaudited) | % | % change |
|--------------------------------|--|-------|--|--------|----------|
| Net Sales | 1,442,556 | 98.2% | 1,529,267 | 98.4% | -5.7% |
| Royalties | 26,080 | 1.8% | 24,905 | 1.6% | 4.7% |
| | | 0 | | | |
| Net Revenues | 1,468,636 | 100% | 1,554,172 | 100.0% | -5.5% |

Net sales analysis

| (amounts in thousands of Euro) | six months ended July 31 2017 (unaudited) | % | six months ended July 31 2016 (unaudited) | % | % change |
|--|--|---------------|--|---------------|--------------|
| Net sales by geographical area | | | | | |
| Europe | 553,631 | 38.4% | 599,568 | 39.2% | -7.7% |
| Americas | 210,370 | 14.6% | 218,492 | 14.3% | -3.7% |
| Asia Pacific | 462,951 | 32.1% | 461,215 | 30.2% | 0.4% |
| Japan | 164,438 | 11.4% | 191,726 | 12.5% | -14.2% |
| Middle East | 49,208 | 3.4% | 55,702 | 3.6% | -11.7% |
| Other countries | 1,958 | 0.1% | 2,564 | 0.2% | -23.6% |
| Total Net Sales | 1,442,556 | 100.0% | 1,529,267 | 100.0% | -5.7% |
| Net sales by brand | | | | | |
| Prada | 1,176,843 | 81.6% | 1,233,596 | 80.7% | -4.6% |
| Miu Miu | 224,371 | 15.6% | 249,152 | 16.3% | -9.9% |
| Church's | 33,769 | 2.3% | 39,747 | 2.6% | -15.0% |
| Other | 7,573 | 0.5% | 6,772 | 0.4% | 11.8% |
| Total Net Sales | 1,442,556 | 100.0% | 1,529,267 | 100.0% | -5.7% |
| Net sales by product line | | | | | |
| Leather goods | 826,906 | 57.3% | 893,468 | 58.4% | -7.4% |
| Footwear | 310,340 | 21.5% | 343,641 | 22.5% | -9.7% |
| Clothing | 273,766 | 19.0% | 262,395 | 17.2% | 4.3% |
| Other | 31,544 | 2.2% | 29,763 | 1.9% | 6.0% |
| Total Net Sales | 1,442,556 | 100.0% | 1,529,267 | 100.0% | -5.7% |
| Net Sales by channel | | | | | |
| Net Sales of Directly Operated Stores (DOS) | 1,177,059 | 81.6% | 1,276,587 | 84.0% | -7.8% |
| Net Sales to independent customers and franchisees | 265,497 | 18.4% | 252,680 | 16.0% | 5.1% |
| Total Net Sales | 1,442,556 | 100.0% | 1,529,267 | 100.0% | -5.7% |

Geographical information

The following table reports the carrying amount of the Group's non-current assets by geographical area, as requested by "IFRS 8 Operating Segments" for entities, like the Prada Group, that have a single reportable segment.

| (amounts in thousands of Euro) | July 31 2017 (unaudited) | January 31 2017 (audited) |
|--------------------------------|--------------------------------|---------------------------------|
| Europe | 1,995,732 | 1,940,111 |
| USA | 145,692 | 210,183 |
| Asia Pacific | 253,637 | 307,035 |
| Japan | 92,805 | 99,559 |
| Middle East | 27,299 | 29,469 |
| Africa | 2,281 | 3,030 |
| Total | 2,517,446 | 2,589,387 |

The total amount of Euro 2,517 million (Euro 2,589 million at January 31, 2017) relates to the Group's non-current assets excluding, as requested by IFRS 8, those relating to financial instruments, deferred tax assets and pension fund surplus.

6. Cash and cash equivalents

Cash and cash equivalents are detailed as follow:

| (amounts in thousands of Euro) | July 31 2017 (unaudited) | January 31 2017 (audited) |
|--------------------------------|--------------------------------|---------------------------------|
| Cash on hand | 36,864 | 42,449 |
| Bank deposit accounts | 437,938 | 459,965 |
| Bank current accounts | 194,928 | 219,800 |
| Total | 669,730 | 722,214 |

Bank deposits accounts are broken down by currency as follows:

| (amounts in thousands of Euro) | July 31 2017 (unaudited) | January 31 2017 (audited) |
|------------------------------------|--------------------------------|---------------------------------|
| Renmimbi | 94,092 | 67,960 |
| US Dollar | 206 | 34,626 |
| Korean Won | 20,137 | 54,629 |
| Hong Kong Dollar | 313,755 | 293,644 |
| Other currencies | 9,748 | 9,106 |
| Total bank deposit accounts | 437,938 | 459,965 |

Bank current accounts are broken down by currency as follows:

| (amounts in thousands of Euro) | July 31 2017 (unaudited) | January 31 2017 (audited) |
|------------------------------------|--------------------------------|---------------------------------|
| Euro | 44,097 | 109,606 |
| US Dollar | 66,746 | 50,224 |
| Korean Won | 1,065 | 1,374 |
| Hong Kong Dollar | 4,603 | 6,056 |
| GB Pound | 8,101 | 5,947 |
| Other currencies | 70,316 | 46,593 |
| Total bank current accounts | 194,928 | 219,800 |

At July 31, 2017, bank current accounts and deposit accounts generated interest income between 0% and 8.3% per annum (between 0% and 9.4% at January 31, 2017).

The Group maintains that there is no significant risk regarding bank current accounts as their use is strictly connected with the business operations and corporate processes and, as a result, the number of parties involved is fragmented.

7. Trade receivables, net

Trade receivables are detailed as follows:

| (amounts in thousands of Euro) | July 31 2017 (unaudited) | January 31 2017 (audited) |
|-----------------------------------|--------------------------------|---------------------------------|
| Trade receivables - third parties | 255,210 | 268,223 |
| Provision for doubtful debts | (6,483) | (6,654) |
| Trade receivables related parties | 18,068 | 23,935 |
| Total | 266,795 | 285,504 |

Trade receivables fell by Euro 18.7 million due to exchange differences and differences occurred in the timing of collection of some receivables. Trade receivables from related parties mainly refer to the sale of finished products to Fratelli Prada spa, a related company and franchisee of the Prada Group.

Movements during the period in the provision for doubtful debts are as follows:

| (amounts in thousands of Euro) | July 31 2017 (unaudited) | January 31 2017 (audited) |
|--------------------------------|--------------------------------|---------------------------------|
| Opening Balance | 6,654 | 6,546 |
| Exchange differences | (182) | (78) |
| Increases | 390 | 578 |
| Utilization | (356) | (190) |
| Reversals | (23) | (202) |
| Closing Balance | 6,483 | 6,654 |

The following table contains a summary, by due date, of total receivables before the allowance for doubtful debts at the reporting date:

| (amounts in thousands of Euro) | July 31 2017 (unaudited) | Not overdue | Overdue (in days) | | | | |
|--------------------------------|--------------------------------|----------------|-------------------|--------------|--------------|--------------|---------------|
| | | | 1 ≤ 30 | 31 ≤ 60 | 61 ≤ 90 | 91 ≤ 120 | ≥ 121 |
| Trade receivables | 273,278 | 238,441 | 10,712 | 6,823 | 4,436 | 1,544 | 11,322 |
| Total | 273,278 | 238,441 | 10,712 | 6,823 | 4,436 | 1,544 | 11,322 |

| (amounts in thousands of Euro) | January 31 2017 (audited) | Not overdue | Overdue (in days) | | | | |
|--------------------------------|---------------------------------|----------------|-------------------|---------------|--------------|--------------|---------------|
| | | | 1 ≤ 30 | 31 ≤ 60 | 61 ≤ 90 | 91 ≤ 120 | ≥ 121 |
| Trade receivables | 292,158 | 226,210 | 22,631 | 16,259 | 5,766 | 3,193 | 18,099 |
| Total | 292,158 | 226,210 | 22,631 | 16,259 | 5,766 | 3,193 | 18,099 |

The following table contains a summary, by due date, of trade receivables less the allowance for doubtful accounts at the reporting date:

| (amounts in thousands of Euro) | July 31 2017 (unaudited) | Not overdue | Overdue (days) | | | | |
|--|--------------------------------|----------------|----------------|--------------|--------------|--------------|--------------|
| | | | 1 ≤ 30 | 31 ≤ 60 | 61 ≤ 90 | 91 ≤ 120 | ≥ 121 |
| Trade receivables less provision for doubtful debts | 266,795 | 238,322 | 10,712 | 6,823 | 4,436 | 1,544 | 4,958 |
| Total | 266,795 | 238,322 | 10,712 | 6,823 | 4,436 | 1,544 | 4,958 |

| (amounts in thousands of Euro) | January 31 2017 (audited) | Not overdue | Overdue (days) | | | | |
|--|---------------------------------|----------------|----------------|---------------|--------------|--------------|---------------|
| | | | 1 ≤ 30 | 31 ≤ 60 | 61 ≤ 90 | 91 ≤ 120 | ≥ 121 |
| Trade receivables less provision for doubtful debts | 285,504 | 225,905 | 22,613 | 16,259 | 5,766 | 3,193 | 11,768 |
| Total | 285,504 | 225,905 | 22,613 | 16,259 | 5,766 | 3,193 | 11,768 |

8. Inventories, net

Inventories are analyzed as follows:

| (amounts in thousands of Euro) | July 31 2017 (unaudited) | January 31 2017 (audited) |
|--|--------------------------------|---------------------------------|
| Raw materials | 107,613 | 103,679 |
| Work in progress | 36,853 | 26,368 |
| Finished products | 465,370 | 444,049 |
| Provision for obsolete and slow moving inventories | (47,216) | (47,155) |
| Total | 562,620 | 526,941 |

The inventory increased from Euro 526.9 million to Euro 562.6 million. The difference of Euro 35.7 million consisted of Euro 21.3 million of finished products and Euro 14.4 million of raw materials and work in progress. The increase coincides with a retail restocking phase.

Movements on the allowance for obsolete and slow moving inventories are analyzed as follows:

| (amounts in thousands of Euro) | Raw materials | Finished Products | Total |
|---|------------------|----------------------|---------------|
| Balance at January 31, 2017 (audited) | 25,676 | 21,479 | 47,155 |
| Exchange differences | - | (73) | (73) |
| Increase | - | 261 | 261 |
| Utilization | - | (127) | (127) |
| Balance at July 31, 2017 (unaudited) | 25,676 | 21,540 | 47,216 |

9. Derivative financial instruments: assets and liabilities

Derivative financial instruments: assets and liabilities, current and non-current portion.

| (amounts in thousands of Euro) | July 31 2017 (unaudited) | January 31 2017 (audited) |
|---|--------------------------------|---------------------------------|
| Financial assets regarding derivative instruments - current | 20,416 | 7,045 |
| Financial assets regarding derivative instruments – non-current | 2,620 | - |
| Total Financial Assets - Derivative financial instruments | 23,036 | 7,045 |
| Financial liabilities regarding derivative instruments – current | (11,320) | (13,634) |
| Financial liabilities regarding derivative instruments – non-current | (7,363) | (8,250) |
| Total Financial Liabilities - Derivative financial instruments | (18,683) | (21,884) |
| Net carrying amount - current and non-current portion | 4,353 | (14,839) |

The net carrying amount of derivative financial instruments, current and non-current combined, is as follows:

| (amounts in thousands of Euro) | July 31 2017 (unaudited) | January 31 2017 (audited) | IFRS7 Category |
|--|--------------------------------|---------------------------------|-------------------|
| Forward contracts | 21,256 | 6,168 | Level II |
| Options | 1,780 | 877 | Level II |
| Positive Fair Value | 23,036 | 7,045 | |
| Forward contracts | (7,692) | (10,865) | Level II |
| Options | (62) | (134) | Level II |
| Interest rate swaps | (10,929) | (10,885) | Level II |
| Negative Fair Value | (18,683) | (21,884) | |
| Net carrying amount – current and non-current | 4,353 | (14,839) | |

All of the above derivative instruments are qualified as Level II of the fair value hierarchy proposed by IFRS 7. The Group has not entered into any derivative contracts that may be qualified as Level I or III.

The fair values of derivatives arranged to hedge interest rate risks (IRS) and of derivatives arranged to hedge exchange rate risks (forward contracts and options) have been determined utilizing one of the valuation platforms in most widespread use on the financial market and are based on the interest rate curves and on spot and forward exchange rates at the reporting date.

The Group entered into the financial derivative contracts in the course of its risk management activities in order to hedge financial risks connected with exchange and interest rate fluctuation.

Foreign exchange rate transactions

The cash flows resulting from the Group's international activities are exposed to exchange rate volatility. In order to hedge this risk, the Group enters into options and forward sale and purchase agreements so as to guarantee the value in Euro (or in other currencies of the various Group companies) of identified cash flows. Expected future cash flows mainly regard the collection of trade receivables, settlement of trade

payables and financial cash flows.

At the reporting date, the notional amounts of the derivative contracts designated as foreign exchange risk hedges (as translated at the European Central Bank exchange rate at July 31, 2017) were as stated below.

Contracts in place as at July 31, 2017 to hedge projected future trade cash flows.

| (amounts in thousands of Euro) | Options | Forward sale contracts | Forward purchase contracts (*) | July 31 2017 (unaudited) |
|--------------------------------|---------------|------------------------|--------------------------------|--------------------------|
| Currency | | | | |
| Swiss Franc | - | 5,810 | (2,646) | 3,164 |
| GB Pound | - | 37,408 | (5,212) | 32,196 |
| Hong Kong Dollar | 10,153 | 29,477 | (63,617) | (23,987) |
| Japanese Yen | - | 46,261 | - | 46,261 |
| Korean Won | - | 37,549 | - | 37,549 |
| Chinese Renminbi | - | 72,184 | - | 72,184 |
| US Dollar | 11,512 | 63,528 | (11,537) | 63,503 |
| Other | - | 51,457 | - | 51,457 |
| Total | 21,665 | 343,674 | (83,012) | 282,327 |

(*) Positive figures represent forward sales, negative figures represent forward purchases of currency

Contracts in place as at July 31, 2017 to hedge projected future financial cash flows.

| (amounts in thousands of Euro) | Options | Forward sale contracts | Forward purchase contracts (*) | July 31 2017 (unaudited) |
|--------------------------------|----------|------------------------|--------------------------------|--------------------------|
| Currency | | | | |
| Swiss Franc | - | 50,180 | - | 50,180 |
| GB Pound | - | 21,404 | (1,275) | 20,129 |
| Japanese Yen | - | 32,691 | - | 32,691 |
| US Dollar | - | 9,273 | (54,149) | (44,876) |
| Other | - | 5,760 | - | 5,760 |
| Total | - | 119,308 | (55,424) | 63,884 |

(*) Positive figures represent forward sales, negative figures represent forward purchases of currency

Contracts in place as at January 31, 2017 to hedge projected future trade cash flows.

| (amounts in thousands of Euro) | Options | Forward sale contracts | Forward purchase contracts (*) | January 31 2017 (audited) |
|--------------------------------|---------------|------------------------|--------------------------------|---------------------------|
| Currency | | | | |
| Swiss Franc | - | 12,936 | (12,370) | 566 |
| GB Pound | - | 73,050 | (22,537) | 50,513 |
| Hong Kong Dollar | 17,978 | 47,581 | (66,586) | (1,027) |
| Japanese Yen | - | 95,949 | (26,174) | 69,775 |
| Korean Won | - | 53,906 | - | 53,906 |
| Chinese Renminbi | - | 96,255 | (43,149) | 53,106 |
| US Dollar | 63,226 | 111,576 | (112,136) | 62,666 |
| Other | - | 99,366 | (38,200) | 61,166 |
| Total | 81,204 | 590,619 | (321,152) | 350,671 |

(*) Positive figures represent forward sales, negative figures represent forward purchases of currency

Contracts in place as at January 31, 2017 to hedge projected future financial cash flows.

| (amounts in thousands of Euro) | Options | Forward sale contracts | Forward purchase contracts (*) | January 31 2017 (audited) |
|--------------------------------|----------|------------------------|--------------------------------|---------------------------|
| Currency | | | | |
| Swiss Franc | - | 53,431 | - | 53,431 |
| Brazilian Real | - | 895 | (895) | - |
| GB Pound | - | 22,229 | - | 22,229 |
| Japanese Yen | - | 34,771 | - | 34,771 |
| US Dollar | - | 10,112 | (59,042) | (48,930) |
| Other | - | 9,919 | - | 9,919 |
| Total | - | 131,357 | (59,937) | 71,420 |

(*) Positive figures represent forward sales, negative figures represent forward purchases of currency

All contracts in place as at July 31, 2017 mature within 12 months, except for some forward contracts to hedge future financial cash flows expiring after July 31, 2018 and whose notional net amount is Euro 45.8 million (wholly consisting of forward sale contracts).

All contracts in place at the reporting date were entered into with major financial institutions and the Group expects none of them to default.

Interest rate transactions

The Group enters into Interest Rate Swaps agreements (IRS) in order to hedge the risk of interest rate fluctuations in relation to several bank loans. The key features of the IRS agreements in place as at July 31, 2017 and January 31, 2017 are summarized as follows:

| Interest Rate Swap (IRS) Agreement | | | | | Hedged loan | | | | |
|------------------------------------|----------|-----------------|---------------|---------------|--------------------------------|----------|---------------------|-----------|--------|
| Contract | Currency | Notional amount | Interest rate | Maturity date | July 31 2017 (unaudited) | Currency | Lending institution | Amount | Expiry |
| | | | | | (amounts in thousands of Euro) | | | | |
| IRS | Euro/000 | 47,667 | 1.457% | May-30 | (2,217) | Euro/000 | Intesa-Sanpaolo | 47,667 | May-30 |
| IRS | Euro/000 | 60,000 | 0.105% | Mar-19 | (399) | Euro/000 | Unicredit | 60,000 | Mar-19 |
| IRS | Euro/000 | 90,000 | 0.013% | Feb-21 | (191) | Euro/000 | Unicredit | 90,000 | Feb-21 |
| IRS | Euro/000 | 100,000 | 0.250% | Jun-21 | (465) | Euro/000 | CR Firenze | 100,000 | Jun-21 |
| IRS | GBP/000 | 56,400 | 2.778% | Jan-29 | (7,478) | GBP/000 | Unicredit | 56,400 | Jan-29 |
| IRS | Yen/000 | 1,800,000 | 1.360% | Mar-20 | (179) | Yen/000 | Mizuho | 2,100,000 | Mar-20 |
| Total | | | | | (10,929) | | | | |

| Interest Rate Swap (IRS) Agreement | | | | | Hedged loan | | | | |
|------------------------------------|----------|-----------------|---------------|---------------|--------------------------------|----------|---------------------|-----------|--------|
| Contract | Currency | Notional amount | Interest rate | Maturity date | January 31 2017 (audited) | Currency | Lending institution | Amount | Expiry |
| | | | | | (amounts in thousands of Euro) | | | | |
| IRS | Euro/000 | 49,500 | 1.457% | May-30 | (2,563) | Euro/000 | Intesa-Sanpaolo | 49,500 | May-30 |
| IRS | Euro/000 | 60,000 | 0.105% | Mar-19 | (470) | Euro/000 | Unicredit | 60,000 | Mar-19 |
| IRS | Euro/000 | 90,000 | 0.013% | Feb-19 | (300) | Euro/000 | Unicredit | 90,000 | Feb-19 |
| IRS | GBP/000 | 57,300 | 2.828% | Jan-29 | (7,294) | GBP/000 | Unicredit | 57,300 | Jan-29 |
| IRS | Yen/000 | 250,000 | 1.875% | Mar-17 | (11) | Yen/000 | Mizuho | 250,000 | Mar-17 |
| IRS | Yen/000 | 2,100,000 | 1.360% | Mar-20 | (247) | Yen/000 | Mizuho | 2,100,000 | Mar-20 |
| Total | | | | | (10,885) | | | | |

The IRS agreements convert the variable interest rates applying to a series of loans into fixed interest rates. These agreements have been arranged with leading financial institutions and the Group does not expect them to default.

10. Receivables from, and advance payments to, related parties

Receivables from, and advances to, related parties current are detailed below:

| (amounts in thousands of Euro) | July 31 2017 (unaudited) | January 31 2017 (audited) |
|---|--------------------------|---------------------------|
| Prepaid sponsorships | 3,259 | 8,741 |
| Prepaid Expenses & Accrued Income | 6,166 | 6,223 |
| Receivables from and advances to related parties - current | 9,425 | 14,964 |

The prepaid sponsorships refer to the amount paid to Luna Rossa Challenge srl under agreements in effect as at July 31, 2017. Additional information on related party transactions is provided in Note 36.

11. Other current assets

Other current assets are detailed as follows:

| (amounts in thousands of Euro) | July 31 2017 (unaudited) | January 31 2017 (audited) |
|--------------------------------------|--------------------------------|---------------------------------|
| VAT | 44,183 | 48,582 |
| Income tax and other tax receivables | 74,082 | 117,244 |
| Other asset | 23,887 | 27,218 |
| Prepayments | 65,682 | 55,676 |
| Deposits | 7,316 | 4,655 |
| Total | 215,150 | 253,375 |

Other assets

Other assets are detailed as follows:

| (amounts in thousands of Euro) | July 31 2017 (unaudited) | January 31 2017 (audited) |
|--|--------------------------------|---------------------------------|
| Advertising contributions under license agreements | 6,478 | 5,072 |
| Advances to suppliers | 3,133 | 1,353 |
| Incentives for retail investments | 7,251 | 12,171 |
| Advances to employees | 918 | 807 |
| Other receivables | 6,107 | 7,815 |
| Total | 23,887 | 27,218 |

Prepayments

Prepayments are detailed as follows:

| (amounts in thousands of Euro) | July 31 2017 (unaudited) | January 31 2017 (audited) |
|---|--------------------------------|---------------------------------|
| Rental costs | 26,985 | 21,038 |
| Insurance | 3,272 | 2,447 |
| Design Costs | 11,901 | 13,182 |
| Fashion shows and advances on advertising campaigns | 7,284 | 3,888 |
| Amortized costs on loans | 938 | 1,077 |
| Other | 15,302 | 14,044 |
| Total | 65,682 | 55,676 |

Prepaid design costs mainly include costs incurred for the conception and realization of collections that will generate revenue after the reporting period.

Deposits

Deposits mainly include guarantee deposits paid under commercial lease agreements.

12. Property, plant and equipment

The changes in the historical cost and accumulated depreciation are set forth below:

| (amounts in thousands of Euro) | Land and buildings | Production plant and machinery | Leasehold improvements | Furniture & fittings | Other tangibles | Assets under construction | Total |
|--|--------------------|--------------------------------|------------------------|----------------------|-----------------|---------------------------|------------------|
| Historical cost | 752,702 | 167,863 | 1,380,474 | 433,346 | 172,926 | 75,790 | 2,983,101 |
| Accumulated depreciation | (96,178) | (130,876) | (872,603) | (250,502) | (90,258) | - | (1,440,417) |
| Net carrying amount at January 31, 2017 (audited) | 656,524 | 36,987 | 507,871 | 182,844 | 82,668 | 75,790 | 1,542,684 |
| (amounts in thousands of Euro) | Land and buildings | Production plant and machinery | Leasehold improvements | Furniture & fittings | Other tangibles | Assets under construction | Total |
| Historical cost | 744,474 | 171,540 | 1,324,693 | 420,306 | 171,812 | 96,981 | 2,929,806 |
| Accumulated depreciation | (101,802) | (134,195) | (857,373) | (253,351) | (92,934) | - | (1,439,655) |
| Net carrying amount at July 31, 2017 (unaudited) | 642,672 | 37,345 | 467,320 | 166,955 | 78,878 | 96,981 | 1,490,151 |

The changes in the carrying amount during the six months ended July 31, 2017 are as follows:

| (amounts in thousands of Euro) | Land and buildings | Production plant and machinery | Leasehold improvements | Furniture & fittings | Other tangibles | Assets under construction | Total historical cost |
|--|--------------------|--------------------------------|------------------------|----------------------|-----------------|---------------------------|-----------------------|
| Balance at January 31, 2017 (audited) | 656,524 | 36,987 | 507,871 | 182,844 | 82,668 | 75,790 | 1,542,684 |
| Additions | 3,465 | 4,446 | 22,872 | 8,394 | 2,034 | 50,390 | 91,601 |
| Depreciation | (8,128) | (3,893) | (57,708) | (17,468) | (5,285) | - | (92,482) |
| Disposals | (8) | (471) | (155) | (202) | (5) | - | (841) |
| Exchange differences | (9,194) | (47) | (25,668) | (7,594) | (571) | (2,177) | (45,251) |
| Other movements | 13 | 323 | 22,678 | 2,702 | 117 | (27,011) | (1,178) |
| Impairment | - | - | (2,570) | (1,721) | (80) | (11) | (4,382) |
| Balance at July 31, 2017 (unaudited) | 642,672 | 37,345 | 467,320 | 166,955 | 78,878 | 96,981 | 1,490,151 |

The additions of the period are mainly related to the retail network to revamp the store layout in order to further enhance the customer experience.

The asset impairment of Euro 4.3 million refers to stores closures for strategic purposes (thirteen stores were closed down in the six-month period) and renovations.

13. Intangible assets

The historical cost and accumulated amortization are set forth below:

| (amounts in thousands of Euro) | Trademarks | Goodwill | Store Lease Acquisitions | Software | Development costs and other intangibles | Assets in progress | Total |
|--|----------------|----------------|--------------------------|---------------|---|--------------------|----------------|
| Historical cost | 392,205 | 547,460 | 216,951 | 100,099 | 63,320 | 27,767 | 1,347,802 |
| Accumulated depreciation | (143,761) | (28,863) | (127,965) | (75,000) | (50,413) | - | (426,002) |
| Net carrying amount at January 31, 2017 (audited) | 248,444 | 518,597 | 88,986 | 25,099 | 12,907 | 27,767 | 921,800 |
| (amounts in thousands of Euro) | Trademarks | Goodwill | Store Lease Acquisitions | Software | Development costs and other intangibles | Assets in progress | Total |
| Historical cost | 390,554 | 547,604 | 211,606 | 108,178 | 62,910 | 31,756 | 1,352,608 |
| Accumulated depreciation | (148,129) | (29,335) | (129,919) | (78,332) | (50,980) | - | (436,695) |
| Net carrying amount at July 31, 2017 (unaudited) | 242,425 | 518,269 | 81,687 | 29,846 | 11,930 | 31,756 | 915,913 |

The changes in the carrying amount during the six months ended July 31, 2017 are as follows:

| (amounts in thousands of Euro) | Trademarks | Goodwill | Store Lease Acquisitions | Software | Development costs and other intangibles | Assets in progress | Total |
|---|----------------|----------------|--------------------------|---------------|---|--------------------|----------------|
| Balance at January 31, 2017 (audited) | 248,444 | 518,597 | 88,986 | 25,099 | 12,907 | 27,767 | 921,800 |
| Additions | 1,156 | - | - | 3,793 | 418 | 8,647 | 14,014 |
| Amortization | (5,519) | - | (5,211) | (3,718) | (1,403) | - | (15,851) |
| Disposals | - | - | - | - | - | - | - |
| Exchange differences | (1,656) | (328) | (2,089) | (15) | (1) | (22) | (4,111) |
| Other movements | - | - | 1 | 4,687 | 9 | (4,636) | 61 |
| Balance at July 31, 2017 (unaudited) | 242,425 | 518,269 | 81,687 | 29,846 | 11,930 | 31,756 | 915,913 |

The carrying amount of trademarks at the reporting date is broken down in the following table:

| (amounts in thousands of Euro) | July 31 2017 (unaudited) | January 31 2017 (audited) |
|--------------------------------|--------------------------|---------------------------|
| Miu Miu | 145,896 | 148,661 |
| Church's | 83,851 | 87,429 |
| Prada | 3,579 | 3,660 |
| Other | 9,099 | 8,694 |
| Total | 242,425 | 248,444 |

No impairment was recognized for the Group's trademarks during the period. "Other" consists of trademark registration costs plus the Car Shoe and Luna Rossa trademarks.

"Key money" includes intangible assets recognized in respect of costs incurred by the Group to stipulate or take over leases for retail premises in prestigious locations.

The total capital expenditure for tangibles and intangibles in the six months ended July 31, 2017 was Euro 105.6 million, as broken down below.

| (amounts in thousands of Euro) | July 31 2017 (unaudited) | January 31 2017 (audited) |
|---------------------------------|--------------------------------|---------------------------------|
| Retail | 63,566 | 151,218 |
| Production and logistics | 42,049 | 100,289 |
| Total | 105,615 | 251,507 |

Impairment test

As required by "IAS 36 Impairment of Assets" goodwill with an indefinite useful life is not amortized. Instead, it is tested for impairment at least once a year. As at July 31, 2017 goodwill amounted to Euro 518.3 million, detailed by Cash Generating Unit (CGU) as follows:

| (amounts in thousands of Euro) | July 31 2017 (unaudited) | January 31 2017 (audited) |
|---|--------------------------------|---------------------------------|
| Italy Wholesale | 78,355 | 78,355 |
| Asia Pacific and Japan Retail | 311,936 | 311,936 |
| Italy Retail | 25,850 | 25,850 |
| Germany and Austria Retail | 5,064 | 5,064 |
| United Kingdom Retail | 9,300 | 9,300 |
| Spain Retail | 1,400 | 1,400 |
| France and Monaco Retail | 11,700 | 11,700 |
| North America Retail and Wholesale | 48,000 | 48,000 |
| Production Division | 10,169 | 10,169 |
| Church's | 8,520 | 8,848 |
| Marchesi Angelo | 7,975 | 7,975 |
| Total | 518,269 | 518,597 |

No evidence emerged during the period under review to suggest any indication of impairment. However, as value in use is measured based on estimates, the Group cannot guarantee that the value of goodwill or other intangible assets will not be impaired in the future.

14. Associated undertakings

| (amounts in thousands of Euro) | July 31 2017 (unaudited) | January 31 2017 (audited) |
|--------------------------------------|--------------------------------|---------------------------------|
| Investment available for sale | 9,272 | 11,749 |
| Other investments | 39 | 26 |
| Total | 9,311 | 11,775 |

The investments available for sale regard a 4.88% stake in Sitoy Group Holdings Ltd, a company listed on the Hong Kong Stock Exchange as at July 31, 2017. The value of the investment was measured at fair value in line with the official quoted share price (Level I of the fair value hierarchy according to "IFRS 7 Financial Instruments: Disclosures"). The fair value decrease of Euro 2.5 million compared to January 31, 2017 was recognized in a specific equity reserve, net of the related tax effect (Euro 0.5 million). In 2017, the Group accounted for net dividends from Sitoy Group Holdings totaling HKD 3 million (Euro 0.4 million).

15. Other non-current assets

Other non-current assets are detailed as follows:

| (amounts in thousands of Euro) | July 31 2017 (unaudited) | January 31 2017 (audited) |
|--------------------------------|--------------------------------|---------------------------------|
| Guarantee deposits | 68,986 | 77,007 |
| Deferred rental income | 14,098 | 16,807 |
| Pension fund surplus | 9,854 | 10,233 |
| Other long-term assets | 18,987 | 19,314 |
| Total | 111,925 | 123,361 |

Guarantee deposits are analyzed below by nature and maturity:

| (amounts in thousands of Euro) | July 31 2017 (unaudited) | January 31 2017 (audited) |
|--------------------------------|--------------------------------|---------------------------------|
| Nature: | | |
| Stores | 62,977 | 71,680 |
| Offices | 4,908 | 3,943 |
| Warehouses | 112 | 116 |
| Other | 989 | 1,268 |
| Total | 68,986 | 77,007 |

| (amounts in thousands of Euro) | July 31 2017 (unaudited) |
|--------------------------------|--------------------------------|
| Maturity: | |
| By 31.07.2019 | 20,907 |
| By 31.07.2020 | 16,804 |
| By 31.07.2021 | 6,273 |
| After 31.07.2021 | 25,002 |
| Total | 68,986 |

16. Short-term financial payables and bank overdrafts

| (amounts in thousands of Euro) | July 31 2017 (unaudited) | January 31 2017 (audited) |
|--|--------------------------------|---------------------------------|
| Bank overdrafts and commercial lines of credit | 389 | - |
| Short-term bank loans | 296,463 | 80,626 |
| Current portion of long term loans | 62,653 | 70,506 |
| Deferred costs on loans | (529) | (364) |
| Financial lease | 230 | 443 |
| Total | 359,206 | 151,211 |

The increase in short-term bank loans is attributable primarily to the drawdown for Euro 140 million of the revolving credit facility stipulated by PRADA spa in 2014 with a banking syndicate, and to the drawdown of some bilateral uncommitted credit facilities. The revolving credit facility is subject to covenants based on the results of PRADA spa's consolidated financial statements. Specifically, the net debt-to-EBITDA ratio must not exceed 3 and the EBITDA-to-interest coverage ratio must exceed 4. Both covenants were complied with as at July 31, 2017.

In addition to the above credit facilities, the short-term bank loans as at July 31, 2017

consist of a Euro 30 million loan granted to PRADA spa by Mitsubishi Bank of Tokyo, and credit lines granted to PRADA Japan co ltd, for a total equivalent value of Euro 50.9 million. Some of the credit lines contain covenants based on the results of PRADA Japan co ltd's financial statements, all of which were complied with as at July 31, 2017.

Mortgage loans

The current portion of long-term loans includes Euro 3.7 million (Euro 3.7 million as at January 31, 2017) regarding a mortgage loan stipulated by IntesaSanpaolo for PRADA spa in 2014 and disbursed in 2015. The collateral securing this loan is the building in Milan used for the Group's headquarters. The non-current portion of the loan amounts to Euro 44 million (Note 24).

The 2017 current portion of long-term loans includes Euro 2.2 million (Euro 2.1 million as at January 31, 2017) regarding a mortgage loan granted to Kenon ltd by Unicredit Group in 2014 and secured by a mortgage on a building in Old Bond Street, London, used by the Group for one of the most strategically positioned Prada stores in the world. The non-current portion of the loan amounts to Euro 60.9 million (Note 24).

Short-term bank loans and the current portion of long-term loans are analyzed by currency as follows:

| (amounts in thousands of Euro) | July 31 2017 (unaudited) | January 31 2017 (audited) |
|---------------------------------|--------------------------------|---------------------------------|
| Euro | 276,273 | 63,280 |
| Japanese Yen | 79,199 | 84,915 |
| Other Currencies | 3,594 | 3,380 |
| Total | 359,066 | 151,575 |
| Bank overdraft | 529 | - |
| Amortized costs on loans | (389) | (364) |
| Total | 359,206 | 151,211 |

The Group generally borrows at variable interest rates and manages the risk of interest rate fluctuations by using hedging instruments (Note 9).

Considering the hedges in place at the reporting date, 39% of the current portion of medium/long-term loans regarded fixed-rate loans (39% as at January 31, 2017), and 61% regarded variable-rate loans (61% as at January 31, 2017).

The total amount of unused credit lines at July 31, 2017 is Euro 639 million.

17. Payables to related parties – current

The current portions due to related parties are presented below:

| (amounts in thousands of Euro) | July 31 2017 (unaudited) | January 31 2017 (audited) |
|--|--------------------------------|---------------------------------|
| Financial payables | 4,524 | 4,934 |
| Other payables | 534 | 608 |
| Payables to related parties – current | 5,058 | 5,542 |

The financial payables due to related parties regard two interest-free loans granted by the non-controlling shareholders of the Group's subsidiaries in the Middle East (Note 36).

18. Trade payables

Trade payables are detailed as follows:

| (amounts in thousands of Euro) | July 31 2017 (unaudited) | January 31 2017 (audited) |
|----------------------------------|--------------------------------|---------------------------------|
| Trade payables - third parties | 266,962 | 241,901 |
| Trade payables - related parties | 9,768 | 14,193 |
| Total | 276,730 | 256,094 |

Trade payables rose by Euro 20.6 million, consistently with the dynamics of the production cycle.

The following table summarizes trade payables by maturity date:

| (amounts in thousands of Euro) | July 31 2017 (unaudited) | Not overdue | Overdue (in days) | | | | |
|--------------------------------|--------------------------------|----------------|-------------------|--------------|--------------|------------|--------------|
| | | | 1 ≤ 30 | 31 ≤ 60 | 61 ≤ 90 | 91 ≤ 120 | ≥121 |
| Trade payables | 276,730 | 251,090 | 13,618 | 3,315 | 1,064 | 734 | 6,909 |
| Total | 276,730 | 251,090 | 13,618 | 3,315 | 1,064 | 734 | 6,909 |

| (amounts in thousands of Euro) | January 31 2017 (audited) | Not overdue | Overdue (in days) | | | | |
|--------------------------------|---------------------------------|----------------|-------------------|--------------|--------------|------------|---------------|
| | | | 1 ≤ 30 | 31 ≤ 60 | 61 ≤ 90 | 91 ≤ 120 | ≥121 |
| Trade payables | 256,094 | 221,125 | 15,884 | 4,670 | 2,955 | 582 | 10,878 |
| Total | 256,094 | 221,125 | 15,884 | 4,670 | 2,955 | 582 | 10,878 |

19. Tax payables

Tax payables are detailed as follows:

| (amounts in thousands of Euro) | July 31 2017 (unaudited) | January 31 2017 (audited) |
|--------------------------------|--------------------------------|---------------------------------|
| Current income taxes | 23,464 | 31,990 |
| VAT and other taxes | 26,273 | 33,477 |
| Total | 49,737 | 65,467 |

The Group recognizes current tax liabilities of Euro 24 million as at July 31, 2017 (Euro 32 million as at January 31, 2017) against tax credits of Euro 74 million (Euro 117.2 million as at January 31, 2017), as reported in Note 11.

20. Other current liabilities

Other current liabilities are detailed as follows:

| (amounts in thousands of Euro) | July 31 2017 (unaudited) | January 31 2017 (audited) |
|--------------------------------------|--------------------------------|---------------------------------|
| Payables for capital expenditure | 46,557 | 56,639 |
| Accrued expenses and deferred income | 20,386 | 18,636 |
| Other payables | 65,508 | 69,552 |
| Total | 132,451 | 144,827 |

Other payables are detailed as follows:

| (amounts in thousands of Euro) | July 31 2017 (unaudited) | January 31 2017 (audited) |
|---|--------------------------------|---------------------------------|
| Short-term benefits for employees and other personnel | 53,005 | 57,608 |
| Customer advances | 6,433 | 5,782 |
| Returns from customers | 3,911 | 4,087 |
| Other | 2,159 | 2,075 |
| Total | 65,508 | 69,552 |

21. Long-term financial payables

The long-term financial payables are as follows:

| (amounts in thousands of Euro) | July 31 2017 (unaudited) | January 31 2017 (audited) |
|-----------------------------------|--------------------------------|---------------------------------|
| Long-term bank borrowings | 398,418 | 416,491 |
| Bonds | 130,000 | 130,000 |
| Deferred costs on loans | (1,146) | (1,135) |
| Obligations under financial lease | 2,156 | 2,272 |
| Total | 529,428 | 547,628 |

In order to take advantage of the favorable financial market conditions, during the first half of 2017 PRADA spa signed a new long-term loan agreement with Banca Intesa, which is undrawn as at July 31, 2017.

The Group generally borrows at variable interest rates and manages the risk of interest rate fluctuations through hedging agreements (Note 9).

Long-term loans are made up of fixed-rate loans for a portion equal to 77% (78% as at January 31, 2017), while the remaining 23% regard variable-rate loans (22% as at January 31, 2017).

The long-term borrowings as at July 31, 2017, excluding financial lease obligations and amortized costs, are set forth below:

| Borrower | amount in thousands of Euro | Loan currency | Lender | Expiry date | Interest rate (1) |
|------------------------|-----------------------------|---------------|---------------------------|-------------|-------------------|
| PRADA spa | 130,000 | Euro | Bonds | Aug-18 | 2.75% |
| PRADA spa | 60,000 | Euro | Unicredit | Mar-19 | 0.76% |
| PRADA spa | 44,000 | Euro | Intesa SanPaolo | May-30 | 2.74% |
| PRADA spa | 40,000 | Euro | Intesa SanPaolo | Feb-19 | 0.61% |
| PRADA spa | 60,000 | Euro | Monte dei Paschi di Siena | Dec-18 | 0.32% |
| PRADA spa | 8,333 | Euro | Intesa SanPaolo | Dec-18 | 0.60% |
| PRADA spa | 90,000 | Euro | Unicredit | Feb-21 | 0.96% |
| PRADA spa | 10,000 | Euro | Banca Popolare di Milano | Mar-19 | 0.71% |
| PRADA Japan Co. Ltd | 9,252 | Japanese Yen | Mizuho Bank | Mar-20 | 1.36% |
| PRADA Japan Co. Ltd | 3,084 | Japanese Yen | MUFG | Mar-20 | 0.81% |
| PRADA Japan Co. Ltd | 1,542 | Japanese Yen | Sumitomo Mitsui Trust | Mar-20 | 1.18% |
| Kenon Ltd | 60,892 | GB Pound | Unicredit | Jan-29 | 4.48% |
| Tannerie Limoges sas | 2,500 | Euro | BNP Paribas | Jan-24 | 1.20% |
| Pelletteria Ennepi srl | 125 | Euro | Mediocredito Italiano | Jun-19 | 2.50% |
| Hipic Prod Impex srl | 21 | Euro | BRD –Società Generale | Feb-19 | 4.50% |
| Prada Middle East | 8,669 | US Dollar | ENBD | Feb-22 | 3.20% |
| Total | 528,418 | | | | |

(1) the interest rates include the effect of interest rate risk hedges, if any

The long-term borrowings as at January 31, 2017, excluding financial lease obligations and amortized costs, are set forth below:

| Borrower | amount in thousands of Euro | Loan currency | Lender | Expiry date | Interest rate (1) |
|------------------------|-----------------------------|---------------|---------------------------|-------------|-------------------|
| PRADA spa | 130,000 | Euro | Bonds | Aug-18 | 2.75% |
| PRADA spa | 60,000 | Euro | Unicredit | Mar-19 | 0.76% |
| PRADA spa | 45,833 | Euro | Intesa SanPaolo | May-30 | 2.74% |
| PRADA spa | 40,000 | Euro | Intesa SanPaolo | Feb-19 | 0.61% |
| PRADA spa | 60,000 | Euro | Monte dei Paschi di Siena | Dec-18 | 0.38% |
| PRADA spa | 16,667 | Euro | Intesa SanPaolo | Dec-18 | 0.60% |
| PRADA spa | 90,000 | Euro | Unicredit | Feb-21 | 0.96% |
| PRADA spa | 15,000 | Euro | Banca Popolare di Milano | Mar-19 | 0.71% |
| PRADA Japan Co. Ltd | 1,968 | Japanese Yen | Syndicate loan | Jul-18 | 0.91% |
| PRADA Japan Co. Ltd | 12,301 | Japanese Yen | Mizuho Bank | Mar-20 | 1.36% |
| PRADA Japan Co. Ltd | 4,100 | Japanese Yen | MUFG | Mar-20 | 0.81% |
| PRADA Japan Co. Ltd | 2,050 | Japanese Yen | Sumitomo Mitsui Trust | Mar-20 | 1.18% |
| PRADA Japan Co. Ltd | 820 | Japanese Yen | SMBC | Mar-18 | 0.46% |
| Kenon Ltd | 64,456 | GB Pound | Unicredit | Jan-29 | 4.48% |
| Church & Co. Ltd | 581 | GB Pound | HSBC | May-18 | 1.88% |
| Tannerie Limoges sas | 2,500 | Euro | BNP Paribas | Jan-24 | 1.20% |
| Pelletteria Ennepi srl | 188 | Euro | Mediocredito Italiano | Jun-19 | 2.55% |
| Hipic Prod Impex srl | 27 | Euro | BRD –Società Generale | Feb-19 | 4.50% |
| Total | 546,491 | | | | |

(1) the interest rates include the effect of interest rate risk hedges, if any

The secured and unsecured portions of the bank borrowings are set forth below:

| (amounts in thousands of Euro) | July 31 2017 (unaudited) | January 31 2017 (audited) |
|--------------------------------|--------------------------------|---------------------------------|
| Secured | 113,240 | 116,046 |
| Unsecured | 776,671 | 581,577 |
| Total | 889,911 | 697,623 |

Other than PRADA spa, no Group company had issued any debt securities at the end of the reporting date.

22. Post-employment benefits

| (amounts in thousands of Euro) | July 31 2017 (unaudited) | January 31 2017 (audited) |
|---|--------------------------------|---------------------------------|
| Post-employment benefits | 45,674 | 46,779 |
| Other long-term employee benefits | 14,541 | 20,432 |
| Total liabilities for long-term benefits | 60,215 | 67,211 |
| Post-employment benefit (pension plan surplus) | 9,854 | 10,233 |
| Net liabilities for long-term benefits | 50,361 | 56,978 |

The net balance of long-term employee benefits as at July 31, 2017 is Euro 50.4 million (Euro 57 million as at January 31, 2017), and all the benefits are classified as defined benefit plans.

The post-employment benefits consist of Euro 23.3 million (Euro 24.3 million in 2016) in liabilities accounted for by Italian companies and Euro 22.4 million by the foreign subsidiaries (Euro 22.5 million in 2016).

The following table shows movements on liabilities for post-employment benefits in the six months ended July 31, 2017:

| (amounts in thousands of Euro) | Defined Benefit Plans in Italy (TFR) | Defined Benefit Plans in other countries (including Japan) | Pension Funds UK | Other long-term employee benefits | Total |
|--|---|---|---------------------|--|----------------|
| Balance at January 31, 2017 (audited) | 24,251 | 22,528 | (10,233) | 20,432 | 56,978 |
| Current service cost | 198 | 1,349 | - | 3,010 | 4,557 |
| Actuarial (gains)/losses | - | - | - | 6 | 6 |
| Benefits paid | (1,180) | (54) | - | (8,683) | (9,917) |
| Exchange differences | - | (1,418) | 379 | (335) | (1,374) |
| Other Movements | - | - | - | 111 | 111 |
| Balance at July 31, 2017 (unaudited) | 23,269 | 22,405 | (9,854) | 14,541 | 50,361 |

23. Provisions for risks and charges

Movements on provisions for risks and charges are summarized as follows:

| (amounts in thousands of Euro) | Provision for litigation | Provision for tax disputes | Other provisions | Total |
|---------------------------------------|--------------------------|----------------------------|------------------|---------|
| Balance at January 31, 2017 (audited) | 1,788 | 24,905 | 55,630 | 82,323 |
| Exchange differences | (43) | (96) | (3,462) | (3,601) |
| Reversals | (351) | (51) | (73) | (475) |
| Utilized | (2) | - | (2,665) | (2,667) |
| Increases | 152 | 20 | 1,794 | 1,966 |
| Balance at July 31, 2017 (unaudited) | 1,544 | 24,778 | 51,224 | 77,546 |

Provisions represent the Directors' best estimate of maximum contingent liabilities at the reporting date. In the Directors' opinion and based on the information available to them as supported by the opinions of independent experts, the total amount provided for risks and charges is reasonable considering the liabilities that might arise. During the six months ended July 31, 2017, there were no significant developments regarding litigation ongoing at January 31, 2017. Moreover, no new contingencies requiring significant adjustment to the provisions for risks and charges reported at July 31, 2017 emerged.

24. Other non-current liabilities

Other non-current liabilities amount to Euro 169.4 million (Euro 179.1 million as at January 31, 2017). They mainly regard liabilities to recognize, on a straight-line basis, commercial lease costs.

25. Equity attributable to the owners of the Group

Group shareholders' equity is as follows:

| (amounts in thousands of Euro) | July 31 2017 (unaudited) | January 31 2017 (audited) |
|--------------------------------|--------------------------------|---------------------------------|
| Share capital | 255,882 | 255,882 |
| Share premium reserve | 410,047 | 410,047 |
| Other reserves | 1,977,987 | 2,006,713 |
| Actuarial reserve | (5,705) | (5,707) |
| Fair value reserve | (3,559) | (1,656) |
| Cash flow hedge reserve | 2,315 | (7,897) |
| Translation reserve | 23,636 | 144,791 |
| Net profit (loss) | 115,742 | 278,329 |
| Total | 2,776,345 | 3,080,502 |

Share capital

As at July 31, 2017, approximately 80% of PRADA spa' share capital is owned by PRADA Holding spa and the remainder is listed on the Main Board of the Hong Kong Stock Exchange.

Share premium reserve

The share premium reserve of Euro 410 million did not change from that of January 31, 2017.

Translation reserve

The changes in this reserve result from the translation into Euro of the foreign currency financial statements of consolidated companies. The reserve decreased from the Euro 144.8 million at January 31, 2017 to Euro 23.6 million. The negative change of Euro 121.1 million was mainly due to the strengthening of the Euro against the Hong Kong Dollar and the US Dollar.

Other reserves

The other reserves amount to Euro 1,978 million as at July 31, 2017. They decreased by Euro 28.7 million from January 31, 2017 was due to the allocation of the previous fiscal year's profit (Euro 278.3 million), net of the dividends distributed to PRADA spa shareholders (Euro 307.1 million).

Net income for the period

The Group's net income for the six months ended July 31, 2017 was Euro 115.7 million (Euro 278.3 million for the twelve months ended January 31, 2017).

Capital gains tax in Italy

Capital gains realized from the sale in an Italian company by shareholders resident in Hong Kong are no longer subject to taxation in Italy, applying as at January 1, 2016.

Further details on Italian capital gains taxation have already been reported in the Tax Booklet available on the Company's website www.pradagroup.com.

26. Equity attributable to Non-controlling interests

The following table shows movements on the Shareholders' equity of Non-controlling interests during the periods ended July 31, 2017 and January 31, 2017.

| (amounts in thousands of Euro) | July 31 2017 (unaudited) | January 31 2017 (audited) |
|--|--------------------------------|---------------------------------|
| Opening Balance | 24,028 | 17,037 |
| Translation differences | (1,752) | 540 |
| Dividends | (451) | (706) |
| Net result for the period | 340 | 5,861 |
| Actuarial reserve | - | 2 |
| Capital injection in subsidiaries | 89 | 1,014 |
| Transactions with non-controlling shareholders | 335 | 280 |
| Closing balance | 22,590 | 24,028 |

27. Net revenues

Consolidated net revenues are mainly generated by sales of finished products and are stated net of returns and discounts.

| (amounts in thousands of Euro) | six months ended July 31 2017 (unaudited) | six months ended July 31 2016 (unaudited) |
|--------------------------------|--|--|
| Net sales | 1,442,556 | 1,529,267 |
| Royalties | 26,080 | 24,905 |
| Total | 1,468,636 | 1,554,172 |

A breakdown of net sales by brand, distribution channel, geographical area and product is provided in the Financial review.

28. Cost of goods sold

Cost of goods sold is analyzed as follows:

| (amounts in thousands of Euro) | six months ended July 31 2017 (unaudited) | six months ended July 31 2016 (unaudited) |
|--|--|--|
| Purchases of raw materials and production costs | 365,403 | 297,339 |
| Logistic costs, duties and insurance | 68,843 | 65,404 |
| Change in inventories | (54,251) | 69,488 |
| Total | 379,995 | 432,231 |

The cost of goods sold decreased from 27.8% to 25.9% of net revenues mainly following a favorable sales mix in terms of ratio of full-price sales to discounted sales and the effect of exchange rates.

29. Operating expenses

Operating costs are analyzed as follows:

| (amounts in thousands of Euro) | six months ended July 31 2017 (unaudited) | % of net revenues | six months ended July 31 2016 (unaudited) | % of net revenues |
|---|--|----------------------|--|----------------------|
| Product design and development costs | 66,786 | 4.5% | 63,703 | 4.1% |
| Advertising and promotion expenses | 82,587 | 5.6% | 75,984 | 4.9% |
| Selling expenses | 679,606 | 46.3% | 678,158 | 43.6% |
| General and administrative costs | 92,825 | 6.3% | 90,395 | 5.8% |
| Total | 921,804 | 62.7% | 908,240 | 58.4% |

The detail of the operating expenses was restated compared to the 2016 Interim Report so as to provide a better representation of the results of the revision of short-term incentives to employees.

The increase in operating expenses, net of exchange differences of Euro 3.7 million, was attributable primarily to an increase in advertising and communication activities, particularly with digital technology, and a higher cost of labor regarding the aforementioned revision in 2016 of short-term incentives. All other expense items were in line with those of 2016, a year in which the Group carried out an important cost reduction program.

The following table shows the depreciation, amortization and impairment costs, labor costs and rental costs included in operating costs.

| (amounts in thousands of Euro) | six months ended July 31 2017 (unaudited) | six months ended July 31 2016 (unaudited) |
|--|--|--|
| Depreciation, amortization and impairment | 105,789 | 109,733 |
| Labour Cost | 279,735 | 273,749 |
| Variable rent | 161,511 | 168,941 |
| Fixed rent | 153,827 | 148,627 |
| Total | 700,862 | 701,050 |

30. Interest and other financial income/(expenses), net

Interest and other financial income/(expenses), net are analyzed as follows:

| (amounts in thousands of Euro) | six months ended July 31 2017 (unaudited) | six months ended July 31 2017 (unaudited) |
|--------------------------------------|--|--|
| Interest expenses on borrowings | (7,157) | (7,722) |
| Interest income | 2,882 | 2,008 |
| Interest income/(expenses) IAS 19 | - | (89) |
| Exchange gains/(losses) - realized | (2,372) | 2,943 |
| Exchange gains/(losses) - unrealized | 6,638 | (2,615) |
| Other financial income/(expenses) | (881) | (1,281) |
| Total | (890) | (6,756) |

Finance costs benefited from a stronger Euro near the end of the period, which resulted in the recognition of positive exchange differences on financial items. The cost of bank debt, effectively eliminated by such benefit, was nevertheless lower than that of the comparative period due to less average bank debt.

31. Dividends from investments

As at July 31, 2017, the Group held a 4.88% interest (unchanged on prior year) in Sitoy Group Holdings Ltd, a company listed on Hong Kong Stock Exchange (HK: 1023). During these six months of 2017 the dividends accrued from said company amounted to Euro 357 thousand (Euro 558 thousand in the same period of last year).

32. Taxation

Income taxes have the following composition:

| (amounts in thousands of Euro) | six months ended July 31 2017 (unaudited) | six months ended July 31 2017 (unaudited) |
|--------------------------------|--|--|
| Current taxation | 52,771 | 49,047 |
| Deferred taxation | (2,549) | 13,159 |
| Income taxes | 50,222 | 62,206 |

The effective tax rate of 30% is in line with the same period of last year. The benefit deriving from a lower Italian income tax rate was offset by the less advantageous geographical sources of income.

The changes in deferred tax assets and liabilities are set forth below:

| (amounts in thousands of Euro) | six months ended July 31 2017 (unaudited) | twelve months ended January 31 2017 (audited) |
|--|--|--|
| Opening balance | 216,126 | 243,690 |
| Exchange differences | (12,956) | 5,746 |
| Deferred tax on acquisitions | - | 463 |
| Deferred taxes on derivative instruments recorded in equity (cash flow hedges) | (2,693) | 117 |
| Deferred taxes on post-employment benefits recorded in equity (reserve for actuarial differences) | - | (821) |
| Other movements | 517 | 2,524 |
| Deferred taxes for the period in income statement | 2,375 | (35,593) |
| Closing balance | 203,369 | 216,126 |

Deferred tax assets and liabilities are analyzed by nature as follows:

| (amounts in thousands of Euro) | July 31, 2017 (unaudited) | | January 31, 2017 (audited) | |
|--|------------------------------|-----------------------------|-------------------------------|-----------------------------|
| | Deferred tax assets | Deferred tax liabilities | Deferred tax assets | Deferred tax liabilities |
| Inventories | 108,339 | - | 108,560 | - |
| Receivables and other assets | 549 | 1,420 | 462 | 1,417 |
| Useful life of non-current assets | 51,951 | 8,728 | 55,124 | 8,712 |
| Deferred taxes due to acquisitions | - | 15,170 | - | 16,957 |
| Provision for risks / accrued expenses | 48,637 | 717 | 54,945 | 816 |
| Non-deductible / taxable charges/income | 8,129 | 2,566 | 11,096 | 448 |
| Tax loss carryforwards | 5,606 | - | 3,561 | - |
| Derivative financial instruments | 1,390 | 2,718 | 1,885 | - |
| Long term employee benefits | 8,220 | 1,676 | 9,395 | 1,740 |
| Other | 4,657 | 1,114 | 2,238 | 1,050 |
| Total | 237,478 | 34,109 | 247,266 | 31,140 |

33. Earnings and Dividends per share

Earnings per share basic and diluted

Earnings per share are calculated by dividing the net income attributable to shareholders by the weighted average number of ordinary shares in issue.

| | six months ended July 31 2017 (unaudited) | six months ended July 31 2016 (unaudited) |
|--|--|--|
| Group net income in Euro | 115,741,559 | 141,923,268 |
| Weighted average number of ordinary shares in issue | 2,558,824,000 | 2,558,824,000 |
| Earnings per share in Euro, calculated on weighted average number of shares | 0.045 | 0.055 |

Dividends per share

During the six months ended July 31, 2017, the Company distributed dividends of Euro 307,058,880, as approved by the Shareholders' Meeting held on May 31, 2017 to approve the financial statements for the year ended January 31, 2017.

34. Additional information

The average headcount by functional area is as follows:

| (number of employees) | six months ended July 31 2017 (unaudited) | six months ended July 31 2016 (unaudited) |
|-------------------------------------|--|--|
| Production | 2,552 | 2,170 |
| Product design and development | 996 | 1,000 |
| Advertising and Communications | 125 | 119 |
| Selling | 7,479 | 7,925 |
| General and administrative services | 942 | 1,014 |
| Total | 12,094 | 12,228 |

Employee remuneration

Employee remuneration by functional area is as follows:

| (amounts in thousands of Euro) | six months ended July 31 2017 (unaudited) | six months ended July 31 2016 (unaudited) |
|-------------------------------------|--|--|
| Production | 59,070 | 53,666 |
| Product design and development | 34,845 | 34,122 |
| Advertising and Communications | 7,365 | 6,517 |
| Selling | 196,109 | 194,889 |
| General and administrative services | 41,416 | 38,221 |
| Total | 338,805 | 327,415 |

Employee remuneration by functional nature is as follows:

| (amounts in thousands of Euro) | six months ended July 31 2017 (unaudited) | six months ended July 31 2016 (unaudited) |
|---|--|--|
| Wages and salaries | 255,790 | 246,363 |
| Post-employment benefits and other long-term benefits | 16,213 | 12,512 |
| Social contributions | 54,456 | 53,785 |
| Other | 12,346 | 14,755 |
| Total | 338,805 | 327,415 |

Distributable reserves of parent company PRADA spa

| (amounts in thousands of Euro) | July 31, 2017 (unaudited) | Possible utilization | Distributable amount | Summary of utilization in the last three years | |
|--------------------------------|------------------------------|-------------------------|-------------------------|---|------------------------------|
| | | | | Coverage of losses | Distribution of dividends |
| Share Capital | 255,882 | | - | - | - |
| Share premium reserve | 410,047 | A, B, C | 410,047 | - | - |
| Legal reserve | 51,176 | B | - | - | - |
| Other reserves | 182,899 | A, B, C | 182,899 | - | - |
| Retained earnings | 282,100 | A, B, C | 261,584 | - | 844,410 |
| Cash flow hedge reserve | 8,728 | | - | - | - |
| Distributable amount | | | 854,530 | | 844,410 |

A: share capital increase

B: coverage of losses

C: distributable to shareholders

Under Italian Civil Code Article 2431, the share premium reserve is fully distributable because the amount of the legal reserve is at least 20% of share capital. A non-distributable portion of retained earnings amounting to Euro 20,516 thousand refers to restricted reserves under Legislative Decree 38/2005, Article 7.

Exchange rates

The exchange rates against the Euro used to consolidate Statements of financial position and Statement of Profit or Loss prepared in other currencies as at July 31, 2017 are shown below:

| Currency | Average rate six months ended July 31 2017 | Average rate six months ended July 31 2016 | Rate at July 31 2017 | Rate at January 31 2017 |
|--------------------|--|--|----------------------|-------------------------|
| UAE Dirham | 4.029 | 4.112 | 4.307 | 3.905 |
| Australian Dollar | 1.444 | 1.509 | 1.471 | 1.420 |
| Brazilian Real | 3.488 | 4.008 | 3.676 | 3.354 |
| Canadian Dollar | 1.454 | 1.469 | 1.462 | 1.406 |
| Swiss Franc | 1.082 | 1.095 | 1.136 | 1.067 |
| Czech Koruna | 26.635 | 27.042 | 26.079 | 27.021 |
| Danish Kronor | 7.437 | 7.446 | 7.436 | 7.434 |
| GB Pound | 0.864 | 0.792 | 0.894 | 0.861 |
| Hong Kong Dollar | 8.536 | 8.692 | 9.160 | 8.344 |
| Indonesian Rupiah | 14,615.598 | 14,873.898 | 15,625.050 | 14,363.560 |
| Japanese Yen | 122.852 | 122.404 | 129.700 | 121.940 |
| Korean Won | 1,243.630 | 1,312.197 | 1,315.970 | 1,244.760 |
| Kuwait Dinar | 0.334 | 0.337 | 0.354 | 0.328 |
| Kazakhstani Tenge | 348.484 | 382.878 | 384.830 | 347.200 |
| Macau Pataca | 8.792 | 8.953 | 9.435 | 8.594 |
| Mexican Peso | 20.678 | 20.326 | 20.862 | 22.286 |
| Malaysian Ringgit | 4.783 | 4.532 | 5.021 | 4.761 |
| New Zealand Dollar | 1.541 | 1.630 | 1.567 | 1.471 |
| Panamanian Balboa | 1.097 | 1.120 | 1.173 | 1.075 |
| Qatari Riyal | 4.008 | 4.078 | 4.302 | 3.931 |
| Chinese Renminbi | 7.518 | 7.338 | 7.890 | 7.397 |
| Romanian Leu | 4.548 | 4.488 | 4.559 | 4.503 |
| Russian Ruble | 63.585 | 76.390 | 70.464 | 64.430 |
| Saudi Riyal | 4.113 | 4.199 | 4.398 | 4.034 |
| Swedish Kronor | 9.608 | 9.334 | 9.542 | 9.451 |
| Singapore Dollar | 1.530 | 1.531 | 1.592 | 1.520 |
| Thai Baht | 37.759 | 39.492 | 39.051 | 37.793 |
| Turkish Lira | 3.956 | 3.260 | 4.131 | 4.063 |
| Taiwan Dollar | 33.413 | 36.449 | 35.480 | 33.666 |
| Ukrainian Hryvna | 29.105 | 28.616 | 30.396 | 28.828 |
| US Dollar | 1.097 | 1.120 | 1.173 | 1.076 |
| Vietnamese Dong | 24,495.588 | 24,496.816 | 26,342.000 | 23,807.500 |
| South African Rand | 14.427 | 16.910 | 15.372 | 14.444 |

35. Remuneration of Board of Directors

Remuneration of the PRADA spa Board of Directors for the six months ended July 31, 2017

| (amounts in thousands of Euro) | Directors' fees | Remuneration and other benefits | Bonuses and other incentives | Benefits in kind | Pension, healthcare and TFR contributions | July 31 2017 (unaudited) |
|--------------------------------|-----------------|---------------------------------|------------------------------|------------------|---|--------------------------|
| Carlo Mazzi | 1,510 | - | - | 37 | 3 | 1,550 |
| Miuccia Prada Bianchi | 6,335 | - | - | - | - | 6,335 |
| Patrizio Bertelli | 6,335 | - | - | - | - | 6,335 |
| Alessandra Cozzani | 25 | 135 | 21 | 35 | 63 | 280 |
| Stefano Simontacchi | 25 | - | - | - | 1 | 26 |
| Maurizio Cereda | 25 | - | - | - | 1 | 26 |
| Gian Franco Oliviero Mattei | 75 | - | - | - | - | 75 |
| Giancarlo Forestieri | 35 | - | - | - | 6 | 41 |
| Sing Cheong Liu | 35 | - | - | - | 8 | 43 |
| Total | 14,399 | 135 | 21 | 72 | 82 | 14,710 |

Remuneration of the PRADA spa Board of Directors for the six months ended July 31, 2016

| (amounts in thousands of Euro) | Directors' fees | Remuneration and other benefits | Bonuses and other incentives | Benefits in kind | Pension, healthcare and TFR contributions | July 31 2016 (unaudited) |
|--------------------------------|-----------------|---------------------------------|------------------------------|------------------|---|--------------------------|
| Carlo Mazzi | 510 | - | - | 39 | 8 | 557 |
| Miuccia Prada Bianchi | 6,000 | - | - | - | - | 6,000 |
| Patrizio Bertelli | 6,000 | - | - | - | - | 6,000 |
| Alessandra Cozzani | 25 | 100 | - | 7 | 68 | 200 |
| Stefano Simontacchi | 13 | - | - | - | - | 13 |
| Maurizio Cereda | 8 | - | - | - | - | 8 |
| Gian Franco Oliviero Mattei | 75 | - | - | - | - | 75 |
| Giancarlo Forestieri | 35 | - | - | - | 5 | 40 |
| Sing Cheong Liu | 35 | - | - | - | 7 | 42 |
| Total | 12,701 | 100 | - | 46 | 88 | 12,935 |

36. Related party transactions

The Group enters into transactions with parties that can be qualified as related according to “IAS 24 Related Party Disclosures”. These transactions mainly refer to the sale and purchase of goods, supply of services, the granting and receipt of loans as well as sponsorship, lease and franchise agreements. These transactions take place on an arm’s length basis.

The following tables show the impact of related party transactions in terms of statement of financial position balances at the reporting date and the total of transactions with an income statement impact.

Statement of financial position amounts at July 31, 2017 (unaudited)

| (amounts in thousands of Euro) | Trade receivables, net | Receivables from related parties – current | Receivables from related parties – non current | Trade payables | Payables to related parties – current | Payables to related parties – non current | Other current liabilities, Other LT liabilities |
|--|------------------------|--|--|----------------|---------------------------------------|---|---|
| DFS Hawaii | - | - | - | 513 | - | - | - |
| DFS New Zealand Limited | - | - | - | 10 | - | - | - |
| DFS Venture Singapore (Pte) Limited | - | - | - | 22 | 24 | - | - |
| DFS Cotai limitada | 38 | - | - | 223 | 431 | - | - |
| Rubaiyat Modern Lux.Pr.Co.Ltd | - | - | - | - | 2,238 | - | - |
| STICHTING Prada (ex Sticing Fondazione Prada) | 1 | - | - | - | - | - | - |
| Progetto Prada Arte Srl | 3 | - | - | - | - | - | - |
| Luna Rossa Challenge 2013 srl | 140 | 3,259 | - | 13 | 62 | - | - |
| Chora srl | - | 5,848 | - | 259 | - | - | - |
| Peschiera Immobiliare srl | - | 89 | - | - | - | - | - |
| Premiata srl | 157 | - | - | 584 | - | - | - |
| Le Mazza srl | 276 | - | - | 429 | - | - | - |
| Friuli 64 srl | - | - | - | 90 | - | - | - |
| Conceria Superior spa | 9 | - | - | 4,911 | - | - | - |
| Perseo srl | 306 | - | - | 985 | - | - | - |
| Al Tayer Group LLC | - | - | - | 2 | - | - | - |
| Al Tayer Insignia LLC | 602 | - | - | 15 | 2,285 | - | - |
| Danzas LLC | - | - | - | 6 | 10 | - | (81) |
| Al Tayer Trends | 13 | - | - | - | - | - | - |
| Al Sanam Rent a Car LLC | - | - | - | 1 | - | - | - |
| Prapar Corporation | - | - | - | - | - | - | - |
| PRADA HOLDING spa | 39 | - | - | - | - | - | - |
| FRATELLI Prada spa | 16,480 | 118 | - | 1,665 | 8 | - | - |
| PRA 1 srl | - | 111 | - | 39 | - | - | - |
| Other | 4 | - | - | 1 | - | - | - |
| Members of the Board of Directors of PRADA spa | - | - | - | - | - | - | 4,263 |
| Relatives of members of the Board of Directors | - | - | - | - | - | - | 378 |
| Total | 18,068 | 9,425 | - | 9,768 | 5,058 | - | 4,560 |

Statement of financial position amounts at January 31, 2017 (audited)

| (amounts in thousands of Euro) | Trade receivables, net | Receivables from related parties – current | Receivables from related parties – non current | Trade payables | Payables to related parties – current | Payables to related parties – non current | Other current liabilities, Other LT liabilities |
|--|------------------------|--|--|----------------|---------------------------------------|---|---|
| STICHTING Prada (ex Sticking Fondazione Prada) | (1) | - | - | - | - | - | - |
| Progetto Prada Arte srl | - | - | - | (3) | - | - | - |
| Al Tayer Group LLC | - | - | - | 1 | - | - | - |
| Al Tayer Insignia LLC | - | - | - | 20 | 2,492 | - | - |
| Danzas LLC - UAE | - | - | - | 11 | 20 | - | - |
| DFS Hawaii | - | - | - | 618 | - | - | - |
| DFS New Zealand Limited | - | - | - | 25 | - | - | - |
| DFS Venture Singapore (Pte) Limited | - | - | - | 53 | - | - | - |
| Luna Rossa Challenge 2013 Srl | 129 | 8,741 | - | 11 | 55 | - | - |
| Chora Srl | - | 5,848 | - | 2,203 | - | - | - |
| DFS Cotai limitada | 11 | - | - | 313 | 526 | - | - |
| Al Tayer Trends | 14 | - | - | - | - | - | - |
| Al Sanam Rent a Car LLC | - | - | - | 2 | - | - | - |
| Peschiera Immobiliare srl | - | 88 | - | - | - | - | - |
| Premiata srl | 10 | - | - | 423 | - | - | - |
| Le Mazza srl | 134 | - | - | 412 | - | - | - |
| Friuli 64 srl | - | - | - | 152 | - | - | - |
| SPELM SA | - | 78 | - | - | - | - | - |
| Conceria Superior spa | 32 | - | - | 8,290 | - | - | - |
| PRADA HOLDING S.P.A. | 788 | - | - | - | - | - | - |
| Fratelli Prada spa | 22,770 | 118 | - | 1,184 | 8 | - | - |
| PRA 1 srl | - | 91 | - | 95 | - | - | - |
| Perseo srl | 48 | - | - | 384 | - | - | - |
| Rubaiyat Modern Lux.Pr.Co.Ltd | - | - | - | (1) | 2,441 | - | - |
| Members of the Board of Directors of PRADA spa | - | - | - | - | - | - | 3,433 |
| Relatives of members of the Board of Directors | - | - | - | - | - | - | 340 |
| Total | 23,935 | 14,964 | - | 14,193 | 5,542 | - | 3,773 |

Statement of profit or loss for the six months ended July 31, 2017 (unaudited)

| (amounts in thousands of Euro) | Net revenues | Cost of goods sold | General, admin. & selling costs (income) | Royalties income |
|-------------------------------------|---------------|--------------------|--|------------------|
| DFS Hawaii | - | - | 1,705 | - |
| DFS Hong Kong Limited | - | - | 2 | - |
| DFS New Zealand Limited | - | - | 66 | - |
| DFS Venture Singapore (Pte) Limited | - | - | 132 | - |
| DFS Cotai limitada | - | - | 2,307 | - |
| SPELM SA | - | - | 270 | - |
| Luna Rossa Challenge 2013 srl | - | - | 5,984 | - |
| Chora Srl | - | - | 1,099 | - |
| Peschiera Immobiliare srl | - | - | 277 | - |
| Premiata srl | - | 624 | 333 | - |
| Le Mazza srl | - | 659 | - | - |
| Conceria Superior spa | 4 | 12,953 | 22 | - |
| Perseo srl | - | 1,119 | - | - |
| PABE | - | - | 9,243 | - |
| Al Tayer Group LLC | - | - | 10 | - |
| Al Tayer Insignia LLC | 643 | - | 113 | - |
| Danzas LLC | - | 330 | 20 | - |
| Al Sanam Rent a Car LLC | - | - | 6 | - |
| PRADA HOLDING spa | - | - | (36) | - |
| FRATELLI Prada spa | 15,347 | 227 | 1,237 | 458 |
| PRA 1 srl | - | - | 672 | - |
| Relative of PRADA spa Director | - | - | 381 | - |
| Total | 15,994 | 15,912 | 24,619 | 458 |

Statement of profit or loss for the six months ended July 31, 2016 (unaudited)

| (amounts in thousands of Euro) | Net revenues | Cost of goods sold | General, admin. & selling costs (income) | Royalties income | Interest income | Interest expense |
|-------------------------------------|---------------|--------------------|--|------------------|-----------------|------------------|
| Progetto Prada Arte srl | - | - | (1) | - | - | - |
| Progetto Prada Arte Srl (Galleria)* | - | - | 624 | - | - | - |
| Al Tayer Group LLC | - | - | 21 | - | - | - |
| Al Tayer Insignia LLC | - | - | 125 | - | - | - |
| Danzas LLC – UAE | - | 282 | 23 | - | - | - |
| DFS Hawaii | - | - | 2,159 | - | - | - |
| DFS New Zealand Limited | - | - | 119 | - | - | - |
| DFS Venture Singapore (Pte) Limited | - | - | 143 | - | - | - |
| Luna Rossa Challenge 2013 srl | 2 | - | 5,822 | - | - | - |
| Al Tayer Motors | - | - | 5 | - | - | - |
| Chora Srl | - | - | 888 | - | - | 32 |
| DFS Cotai limitada | - | - | 2,191 | - | - | - |
| Al Sanam Rent a Car LLC | - | - | 5 | - | - | - |
| Peschiera Immobiliare srl | - | - | 270 | - | - | - |
| Premiata srl | - | 583 | - | - | - | - |
| Le Mazza srl | - | 536 | - | - | - | - |
| Friuli 64 srl | - | - | 285 | - | - | - |
| SPELM SA | - | - | 228 | - | - | - |
| Conceria Superior spa | 191 | 6,219 | 27 | - | - | - |
| PRADA HOLDING spa | - | - | (129) | - | - | - |
| Fratelli Prada spa | 14,097 | 385 | (280) | 428 | - | - |
| Petranera srl | - | - | (2) | - | - | - |
| PABE-RE LLC | - | - | 8,336 | - | - | - |
| PRA 1 srl | - | - | 584 | - | - | - |
| Perseo srl | - | 1,339 | - | - | - | - |
| Relatives of PRADA spa Directors | - | - | 311 | - | - | - |
| Total | 14,290 | 9,344 | 21,754 | 428 | - | 32 |

(*) This amount includes non-monetary expense in the form of derecognition of deferred rental income of Euro 816 thousand recognized in previous years in relation to Progetto Prada Arte srl in application of "IAS 17 Leases" to the temporary business partnership contract between PRADA spa and Progetto Prada Arte srl (such contract was terminated on April 8, 2016).

The foregoing tables report information on transactions with related parties in accordance with IAS 24, "Related Party Disclosures". The following transactions with related parties fall within the scope of application of the Hong Kong Stock Exchange Listing Rules.

The transactions with related party "PABE-RE LLC" refer to the transaction between PABE-RE LLC and Prada Japan in relation to the lease for the Aoyama buildings in Tokyo. The transactions reported for the six months ended July 31, 2017 are regulated by Chapter 14A of the Listing Rules because they are considered continuing connected transactions subject to disclosure, but they are exempt from the independent shareholders' approval requirement. As required by the Listing Rules, comprehensive disclosure of those continuing connected transactions is contained in PRADA spa's Announcement dated July 15, 2015 ("Prada Aoyama") and May 26, 2017 ("Miu Miu Aoyama").

The transactions with related party "Fratelli Prada spa – franchising" refer to transactions between the Company and Fratelli Prada spa in relation to the franchising agreement for the Prada stores in Milan. The transactions reported for the six months ended July 31, 2017 are regulated by Chapter 14A of the Listing Rules because they are considered continuing connected transactions subject to disclosure, but they are

exempt from the independent shareholders' approval requirement. As required by the Listing Rules, comprehensive disclosure of those continuing connected transactions is contained in PRADA spa's Announcement dated January 25, 2017.

The transactions with related party Luna Rossa Challenge srl for the six months ended July 31, 2017 are regulated by Chapter 14A of the Listing Rules because they are considered continuing connected transactions subject to disclosure, but they are exempt from the independent shareholders' approval requirement. As required by the Listing Rules, comprehensive disclosure of those continuing connected transactions is contained in PRADA spa's Announcement dated February 27, 2014.

Apart from the non-exempt continuing connected transactions and non-exempt connected transactions reported in Note 36, no transaction reported in the 2017 Interim condensed consolidated financial statements meets the definition of "connected transaction" or "continuing connected transaction" contained in Chapter 14A of the Hong Kong Stock Exchange Listing Rules or, if it does meet the definition of "connected transaction" or "continuing connected transaction" according to Chapter 14A, it is exempt from the announcement, disclosure and independent shareholders' approval requirements laid down in Chapter 14A.

37. Commitments

Operating leases

At July 31, 2017, and January 31, 2017, operating lease commitments, by maturity date, are as follows:

| (amounts in thousands of Euro) | six months ended July 31 2017 (unaudited) | twelve months ended January 31 2017 (audited) |
|---------------------------------------|--|--|
| Within a year | 723,618 | 459,520 |
| After between one year and five years | 1,187,248 | 1,268,394 |
| After more than five years | 767,125 | 1,274,402 |
| Total | 2,677,991 | 3,002,316 |

The amounts recognized in the profit or loss in relation to lease agreements were as follows:

| (amounts in thousands of Euro) | six months ended July 31 2017 (unaudited) | six months ended July 31 2016 (unaudited) |
|--------------------------------|--|--|
| Fixed minimum lease payments | 155,076 | 149,790 |
| Variable lease payments | 161,511 | 168,941 |
| Total | 316,587 | 318,731 |

Some Group companies are required to pay lease expenses based on a fixed percentage of net sales.

At July 31, 2017 and January 31, 2017, future rental income under current operating leases for properties owned by the Group is analyzed by maturity as follows:

| (amounts in thousands of Euro) | six months ended July 31 2017 (unaudited) | twelve months ended January 31 2017 (audited) |
|---------------------------------------|--|--|
| Within a year | 4,812 | 4,739 |
| After between one year and five years | 15,854 | 16,479 |
| After more than five years | 817 | 2,071 |
| Total | 21,483 | 23,289 |

Other commitments

At July 31, 2017, the Group has no significant binding purchase commitments.

38. Historical Statement of Profit or Loss and Statement of financial position highlights

| (amounts in thousands of Euro) | January 31 2017 | January 31 2016 | January 31 2015 | January 31 2014 | January 31 2013 |
|----------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Net revenues | 3,184,069 | 3,547,771 | 3,551,696 | 3,587,347 | 3,297,219 |
| Gross margin | 2,289,112 | 2,567,565 | 2,550,579 | 2,648,649 | 2,376,541 |
| Operating income (EBIT) | 431,181 | 502,893 | 701,551 | 939,237 | 889,781 |
| Group net income | 278,329 | 330,888 | 450,730 | 627,785 | 625,681 |
| Total assets | 4,656,929 | 4,756,555 | 4,738,877 | 3,888,292 | 3,385,279 |
| Total liabilities | 1,552,399 | 1,659,178 | 1,720,730 | 1,186,752 | 1,054,787 |
| Total Group shareholders' equity | 3,080,502 | 3,080,340 | 3,000,737 | 2,687,554 | 2,320,022 |

39. Consolidated Companies

| Entity | Local currency | Share Capital (/000) | % Interest | Registered office and principal country of operation | Date of incorporation/ establishment | Main Business |
|----------------------------|-------------------|----------------------------|---------------|--|--|--|
| Italy | | | | | | |
| PRADA Spa | EUR | 255,882 | | Milan, IT | | Holding Group/ Manufacturing/ Distribution |
| Artisans Shoes Srl (*) | EUR | 1,000 | 66.7 | Montegranaro, IT | 2/9/1977 | Manufacturing |
| IPI Logistica Srl (*) | EUR | 600 | 100 | Milan, IT | 1/26/1999 | Services |
| Pelletteria Ennepi Srl (*) | EUR | 93 | 80 | Figline e Incisa Valdarno, IT | 12/1/2016 | Manufacturing |
| Church Italia Srl | EUR | 51 | 100 | Milan, IT | 1/31/1992 | Services/Retail |
| Marchesi Angelo Srl (*) | EUR | 23 | 80 | Milan, IT | 7/10/2013 | Confectionary |
| Montenapoleone 9 Srl (*) | EUR | 1,000 | 100 | Milan, IT | 4/22/2015 | Confectionary |

| Company | Local currency | Share Capital (/000) | % Interest | Registered office and principal country of operation | Date of incorporation/ establishment | Main Business |
|---|----------------|----------------------|------------|--|--------------------------------------|--|
| Europe | | | | | | |
| PRADA Retail UK Ltd | GBP | 5,000 | 100 | London, UK | 1/7/1997 | Retail |
| PRADA Germany Gmbh | EUR | 215 | 100 | Munich, GE | 3/20/1995 | Retail/Services |
| PRADA Austria Gmbh | EUR | 40 | 100 | Vienna, AT | 3/14/1996 | Retail |
| PRADA Spain SI | EUR | 240 | 100 | Madrid, ES | 5/14/1986 | Retail |
| PRADA Retail France Sas | EUR | 4,000 | 100 | Paris, FR | 10/10/1984 | Retail |
| PRADA Hellas Sole Partner Llc (*) | EUR | 2,850 | 100 | Athens, GR | 12/19/2007 | Retail |
| PRADA Monte-Carlo Sam | EUR | 2,000 | 100 | Monte-Carlo, FR | 5/25/1999 | Retail |
| PRADA Sa (*) | EUR | 31 | 100 | Luxembourg, LU | 7/29/1994 | Trademarks/Services |
| PRADA Company Sa | EUR | 3,204 | 100 | Luxembourg, LU | 4/12/1999 | Services |
| PRADA Far East Bv (*) | EUR | 20 | 100 | Amsterdam, NL | 3/27/2000 | Retail |
| PRADA Far East Bv II (*) | EUR | 10 | 100 | Amsterdam, NL | 3/27/2000 | Sub-Holding |
| Church Denmark Aps | DKK | 50 | 100 | Copenhagen, DK | 3/13/2014 | Retail |
| Church Holding UK Ltd (*) | GBP | 78,126 | 100 | Northampton, UK | 7/22/1999 | Sub-Holding |
| Church France Sas | EUR | 241 | 100 | Paris, FR | 6/1/1955 | Retail |
| Church UK Retail Ltd | GBP | 1,021 | 100 | Northampton, UK | 7/16/1987 | Retail |
| Church's English Shoes Switzerland Sa | CHF | 100 | 100 | Lugano, CH | 12/29/2000 | Retail |
| Church & Co. Ltd | GBP | 2,811 | 100 | Northampton, UK | 1/16/1926 | Sub-Holding/ Manufacturing/ Distribution |
| Church & Co. (Footwear) Ltd | GBP | 44 | 100 | Northampton, UK | 3/6/1954 | Trademarks |
| Church English Shoes Sa | EUR | 75 | 100 | Brussels, BE | 2/25/1963 | Retail |
| PRADA Czech Republic Sro (*) | CZK | 2,500 | 100 | Prague, CZ | 6/25/2008 | Retail |
| PRADA Portugal Unipessoal Lda (*) | EUR | 5 | 100 | Lisbon, PT | 8/7/2008 | Retail |
| PRADA Rus Llc (*) | RUB | 250 | 100 | Moscow, RU | 11/7/2008 | Retail |
| Church Spain SI | EUR | 3 | 100 | Madrid, ES | 5/6/2009 | Retail |
| PRADA Bosphorus Deri Mamuller Ltd Sirketi (*) | TRY | 73,000 | 100 | Istanbul, TR | 2/26/2009 | Retail |
| PRADA Ukraine Llc (*) | UAH | 240,000 | 100 | Kiev, UA | 10/14/2011 | Retail |
| Church Netherlands Bv | EUR | 18 | 100 | Amsterdam, NL | 7/7/2011 | Retail |
| Church Ireland Retail Ltd | EUR | 50 | 100 | Dublin, IE | 11/20/2011 | Retail |
| Church Austria Gmbh | EUR | 35 | 100 | Vienna, AT | 1/17/2012 | Retail |
| Prada Sweden Ab | SEK | 500 | 100 | Stockholm, SE | 12/18/2012 | Retail |
| Church Footwear Ab | SEK | 100 | 100 | Stockholm, SE | 12/18/2012 | Retail |
| Prada Switzerland Sa (*) | CHF | 24,000 | 100 | Lugano, CH | 9/28/2012 | Retail |
| Prada Kazakhstan Llp (*) | KZT | 500,000 | 100 | Almaty, KZ | 6/24/2013 | Retail |
| Kenon Ltd | GBP | 84,000 | 100 | London, UK | 2/7/2013 | Real Estate |
| Tannerie Limoges Sas (*) | EUR | 955 | 60 | Isle, FR | 8/19/2014 | Manufacturing |
| Prada Denmark Aps (*) | DKK | 26,000 | 100 | Copenhagen, DK | 5/19/2015 | Retail |
| Prada Finnish Oy (*) | EUR | 2 | 100 | Helsinki, FI | 11/9/2015 | Retail |
| Prada Belgium Sprl (*) | EUR | 800 | 100 | Brussels, BE | 12/4/2015 | Retail |
| Hipic Prod Impex Srl | RON | 200 | 50 | Sibiu, RO | 4/15/2016 | Manufacturing |

| Entity | Local currency | Share Capital (/000) | % Interest | Registered office and principal country of operation | Date of incorporation/ establishment | Main Business |
|--|----------------|----------------------|------------|--|--------------------------------------|------------------------------|
| Americas | | | | | | |
| PRADA USA Corp. (*) | USD | 152,211 | 100 | New York, US | 10/25/1993 | Distribution/Services/Retail |
| TRS Hawaii Llc | USD | 400 | 55 | Honolulu, US | 11/17/1999 | Duty-Free Stores |
| PRADA Canada Corp. (*) | CAD | 300 | 100 | Toronto, CA | 5/1/1998 | Distribution/Retail |
| Church & Co. (USA) Ltd | USD | 85 | 100 | New York, US | 9/8/1930 | Retail |
| Post Development Corp (*) | USD | 45,138 | 100 | New York, US | 2/18/1997 | Real Estate |
| PRADA Retail Mexico, S. de R.L. de C.V. (*) | MXN | 269,058 | 100 | Mexico City, MX | 7/12/2011 | Retail |
| PRADA Brasil Importação e Comércio de Artigos de Luxo Ltda (*) | BRL | 210,000 | 100 | Sao Paulo, BR | 4/12/2011 | Retail |
| PRM Services S. de R.L. de C.V. (*) | MXN | 7,203 | 100 | Mexico City, MX | 2/27/2014 | Services |
| PRADA Panama Sa (*) | PAB | 30 | 100 | Panama, PA | 9/15/2014 | Retail |
| PRADA Retail Aruba Nv (*) | USD | 2,012 | 100 | Oranjestad, AW | 9/25/2014 | Retail |
| PRADA St. Barthelemy Sarl (*) | EUR | 1,220 | 100 | Gustavia, BL | 4/1/2016 | Retail |
| Asia-Pacific and Japan | | | | | | |
| PRADA Asia Pacific Ltd | HKD | 3,000 | 100 | Hong Kong, HK | 9/12/1997 | Retail/Services |
| PRADA Taiwan Ltd | TWD | 3,800 | 100 | Hong Kong, HK | 9/16/1993 | Retail |
| PRADA Retail Malaysia Sdn. Bnd. | MYR | 1,000 | 100 | Kuala Lumpur, MY | 1/23/2002 | Retail |
| TRS Hong Kong Ltd | HKD | 500 | 55 | Hong Kong, HK | 2/23/2001 | Duty-Free Stores |
| PRADA Singapore Pte Ltd | SGD | 1,000 | 100 | Singapore, SG | 10/31/1992 | Retail |
| TRS Singapore Pte Ltd | SGD | 500 | 55 | Singapore, SG | 8/8/2002 | Duty-Free Stores |
| PRADA Korea Llc | KRW | 8,125,000 | 100 | Seoul, KR | 11/27/1995 | Retail |
| PRADA (Thailand) co Ltd | THB | 372,000 | 100 | Bangkok, TH | 6/19/1997 | Retail |
| PRADA Japan co Ltd | JPY | 1,200,000 | 100 | Tokyo, JP | 3/1/1991 | Retail |
| TRS Guam Partnership | USD | 1,095 | 55 | Guam, GU | 7/1/1999 | Duty-Free Stores |
| TRS Saipan Partnership | USD | 1,405 | 55 | Saipan, MP | 7/1/1999 | Duty-Free Stores |
| TRS New Zealand ltd | NZD | 100 | 55 | Wellington, NZ | 11/4/1999 | Duty-Free Stores |
| PRADA Australia Pty Ltd | AUD | 13,500 | 100 | Sydney, AU | 4/21/1997 | Retail |
| PRADA Trading (Shanghai) co Ltd | RMB | 1,653 | 100 | Shanghai, CN Limited Liability Company | 2/9/2004 | Retail |
| TRS Okinawa KK | JPY | 10,000 | 55 | Tokyo, JP | 1/21/2005 | Duty-Free Stores |
| PRADA Fashion Commerce (Shanghai) co Ltd | RMB | 474,950 | 100 | Shanghai, CN Limited Liability Company | 10/31/2005 | Retail |
| Church Japan Company Ltd | JPY | 31,525 | 100 | Tokyo, JP | 4/17/1992 | Retail |
| Church Hong Kong Retail Ltd | HKD | 1,000 | 100 | Hong Kong, HK | 6/4/2004 | Retail |
| Church Singapore Pte. Ltd | SGD | 500 | 100 | Singapore, SG | 8/18/2009 | Retail |
| Prada Dongguan Trading Co., Ltd | RMB | 8,500 | 100 | Dongguan, CN Limited Liability Company | 11/28/2012 | Services |
| Church Footwear (Shanghai) Co., Ltd | RMB | 21,900 | 100 | Shanghai, CN Limited Liability Company | 12/5/2012 | Retail |
| Prada New Zealand Ltd | NZD | 3,500 | 100 | Wellington, NZ | 7/5/2013 | Retail |
| PRADA Vietnam Limited Liability Company | VND | 66,606,570 | 100 | Hanoi City, VN | 9/9/2014 | Retail |
| PT PRADA Indonesia | IDR | 3,023,844 | 100 | Jakarta, ID | 10/15/2014 | Dormant/Distribution |
| PRADA Macau Co Ltd | MOP | 25 | 100 | Macau, MO | 1/22/2015 | Retail |

| Entity | Local currency | Share Capital (/000) | % Interest | Registered office and principal country of operation | Date of incorporation/ establishment | Main Business |
|---------------------------------------|----------------|----------------------|------------|--|--------------------------------------|-----------------------|
| Middle East | | | | | | |
| PRADA Middle East Fzco (*) | AED | 18,000 | 60 | Jebel Ali Free Zone, AE | 5/25/2011 | Distribution/Services |
| PRADA Emirates Llc (**) | AED | 300 | 49 | Dubai, AE | 8/4/2011 | Retail |
| PRADA Kuwait Wll (**) | KWD | 50 | 49 | Kuwait city, KW | 9/18/2012 | Retail |
| PRADA Retail Spc (*) | QAR | 15,000 | 100 | Doha, QA | 2/3/2013 | Retail |
| PRADA Saudi Arabia Ltd (*) | SAR | 26,666 | 75 | Jeddah, SA | 7/2/2014 | Retail |
| Other countries | | | | | | |
| PRADA Maroc Sarlau (*) | MAD | 95,000 | 100 | Casablanca, MA | 11/11/2011 | Retail |
| PRADA Retail South Africa Pty Ltd (*) | ZAR | 50,000 | 100 | Sandton, ZA | 9/6/2014 | Retail |

(*) Company owned directly by PRADA spa

(**) Company consolidated based on definition of control per IFRS 10

Companies not included in scope of consolidation

| Company | Percentage direct interest at July 31, 2017 | Percentage direct interest at January 31, 2017 | Note | Consolidation method |
|--------------------------|---|--|-----------|----------------------|
| PAC Srl (in liquidation) | 49.00 | 49.00 | Associate | Equity method |

40. Disclosures regarding non-controlling interests

The financial information of companies not entirely controlled by the Group is provided below, as required by IFRS 12. The amounts are stated before the consolidation adjustments.

Financial statements at July 31, 2017:

| Company | Percentage interest held | Local currency | Total assets | Total equity | Net revenues | Net income/ (loss) for the period | Dividends paid to non-controlling shareholders |
|----------------------------|--------------------------|----------------|--------------|--------------|--------------|-----------------------------------|--|
| Artisans Shoes S.r.l. | 67.00 | EUR | 28,913 | 8,179 | 30,818 | 1,215 | 451 |
| TRS Hawaii LLC | 55.00 | USD | 5,647 | 3,360 | 5,945 | (154) | - |
| TRS Hong Kong Ltd | 55.00 | HKD | 81 | 70 | - | (4) | - |
| TRS Singapore Pte Limited | 55.00 | SGD | 2,261 | 1,929 | 1,002 | 161 | - |
| TRS Guam | 55.00 | USD | 7,167 | 6,429 | 4,988 | 697 | - |
| TRS Saipan | 55.00 | USD | 3,108 | 2,826 | 1,524 | 267 | - |
| TRS New Zealand Pty. Ltd | 55.00 | NZD | 2,025 | 1,563 | 412 | 59 | - |
| TRS Okinawa | 55.00 | JPY | 7,231 | 5,480 | 4,318 | 467 | - |
| TRS MACAU | 55.00 | MOP | 17,064 | 11,030 | 12,547 | 1,366 | - |
| Prada United Arab Emirates | 49.00 | AED | 44,869 | (13,116) | 21,318 | (3,750) | - |
| Prada Middle East FZCO | 60.00 | AED | 80,899 | 48,699 | 29,192 | 4,247 | - |
| Prada Kuwait | 49.00 | KWD | 18,343 | 115 | 11,263 | (403) | - |
| Prada Saudi Arabia | 75.00 | SAR | 16,963 | 4,134 | 7,866 | (1,135) | - |
| Marchesi Angelo Srl | 80.00 | EUR | 1,495 | 294 | 904 | (340) | - |
| Tannerie Limoges S.A.S. | 60.00 | EUR | 8,419 | 236 | 3,463 | (135) | - |
| Hipic Prod Impex Srl | 80.00 | RON | 2,029 | (1,329) | - | (234) | - |
| Pelletteria Ennepi S.r.l. | 80.00 | EUR | 6,703 | 1,952 | - | 21 | - |

Financial statements at January 31, 2017:

| Company (amounts in thousands) | Percentage interest held | Local currency | Total assets | Total equity | Net revenues | Net income/ (loss) for the period | Dividends paid to non- controlling shareholders |
|--------------------------------------|-----------------------------|-------------------|--------------|--------------|-----------------|---|--|
| Artisans Shoes Srl | 67.00 | EUR | 25,728 | 8,318 | 51,034 | 1,368 | 369 |
| TRS Hawaii Llc | 55.00 | USD | 6,288 | 4,109 | 16,898 | (303) | - |
| TRS Hong Kong | 55.00 | HKD | 674 | 598 | - | (127) | - |
| TRS Singapore | 55.00 | SGD | 3,347 | 2,824 | 3,320 | 508 | - |
| TRS Guam Partnership | 55.00 | USD | 7,848 | 6,775 | 12,906 | 2,078 | - |
| TRS Saipan Partnership | 55.00 | USD | 3,421 | 3,021 | 3,985 | 697 | - |
| TRS New Zealand Ltd | 55.00 | NZD | 3,292 | 2,359 | 2,301 | 234 | - |
| TRS Okinawa KK | 55.00 | JPY | 814,110 | 653,268 | 1,222,107 | 137,782 | 337 |
| TRS Hong Kong branch in Macau | 55.00 | MOP | 163,842 | 91,979 | 215,538 | 34,067 | - |
| PRADA Emirates Llc | 49.00 | AED | 158,897 | (41,388) | 190,807 | (25,943) | - |
| PRADA Middle East fzco | 60.00 | AED | 276,994 | 192,653 | 202,910 | 27,675 | - |
| Prada Kuwait Wll | 49.00 | KWD | 6,052 | 175 | 7,946 | 92 | - |
| PRADA Saudi Arabia Ltd | 75.00 | SAR | 75,102 | 22,858 | 57,574 | (8,713) | - |
| Marchesi Angelo Srl | 80.00 | EUR | 2,445 | 636 | 3,091 | (284) | - |
| Tannerie Limoges Sas | 60.00 | EUR | 8,305 | 290 | 2,914 | (581) | - |
| Hipic Prod Impex Srl | 50.00 | RON | 6,753 | (4,997) | - | (2,762) | - |
| Pelletteria Ennepi S.r.l. | 80.00 | EUR | 6,406 | 1,931 | - | 29 | - |

There were no significant restrictions on the Group's ability to access or use assets and settle liabilities as of the reporting date.

41. Subsequent Events

No significant events occurred after the reporting period.

